

## Republic of Turkey

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### Uplands Rural Development Programme

### Design completion report

Main report and appendices

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### **Currency equivalents**

Currency Unit (August 2017)

EUR 1.0 = TRY 4.1

USD 1.0 = TRY 3.5

### **Weights and measures**

1 kilogram = 1000 g

1 000 kg = 2.204 lb.

1 kilometre (km) = 0.62 mile

1 metre = 1.09 yards

1 square metre = 10.76 square feet

1 acre = 0.405 hectare

1 hectare = 2.47 acres

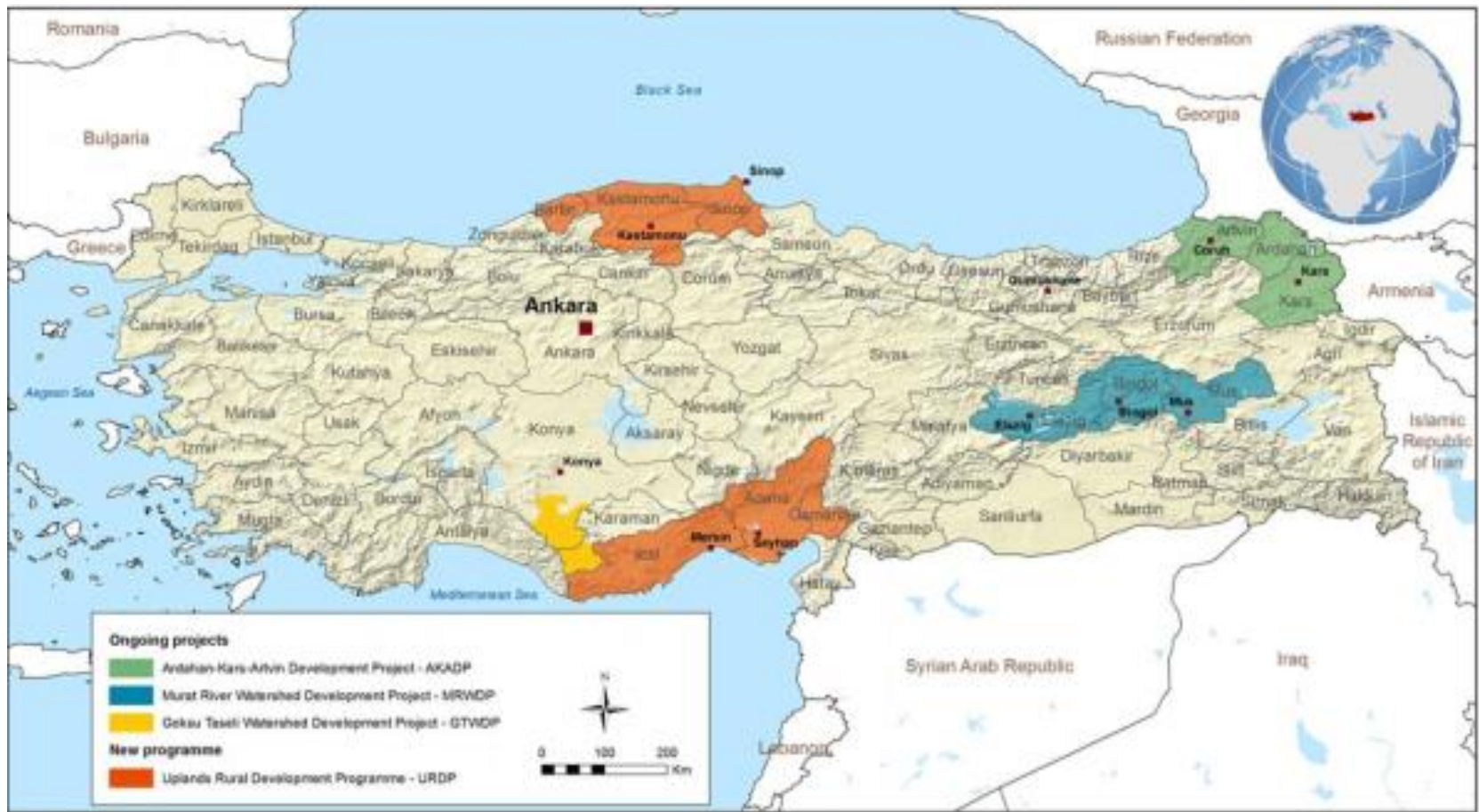
## Abbreviations and acronyms

ACC	Agricultural Credit Cooperative
AKADP	Ardahan Kars Artvin Development Project
AWPBs	Annual Work Plans and Budgets
BRSA	Banking Regulation and Supervision Agency
CBRT	Central Bank of the Republic of Turkey
CIP	Cluster investment Partnership
CMB	Capital Markets Board of Turkey
CPMU	Central Project Management Unit
CIP	Cluster investment partnership
DBSDP	Diyarbakır Batman Siirt Development Project
DDA	District Directorate of Food Agriculture and Livestock
DLRIS	Department of Land Reclamation and Irrigation Systems
EDC	Economic Development Cluster
EFSE	European Fund for Southeast Europe
EIRR	Economic Internal Rate of Return
EU-FP	EU Framework Programs for Research and Technology
EUR	Euro
FAO	Food and Agricultural Organization F
FOs	Farmer Organizations
FST	Farmer Support Team
GDAR	General Directorate of Agrarian Reform
GDI	Gender Development Index
GII	Gender Inequality Index
GDP	Gross Domestic Product
GlobalGap	Global Good Agricultural Practices
GoT	Government of Turkey
GTWDP	Göksu Taşeli Watershed Development Project
HDI	Human Development Index
hh	Household
ICT	Information Communication Technology
IFAD	International Fund for Agricultural development
IFPRI	International Food Policy Research Institute
IPARD	Instrument for [EU] Pre-Accession in Rural Development
IsDB	Islamic Development Bank
JICA	Japanese International Cooperation Agency
KGF	Kredi Garanti Fonu (Credit Guarantee Fund)
KM	Knowledge Management



M&E	Monitoring and evaluation
MAS	Marketing Advisory Services
MASAK	Financial Crimes Investigation Board
MDG	Millennium Development Goals
MFAL	Ministry of Food Agriculture and Livestock
MFI	Micro Finance Institution
MFWA	Ministry of Forestry and Water Affairs
MIC	Middle Income Country
MOD	Ministry of Development
MRWDP	Murat River Watershed Rehabilitation Project
MSME	Micro- Small and Medium Sized Enterprise
MSP	Multi-stakeholder Platform
NAC	National Agricultural Census
NBFI	Nonbank financial institutions
NCCSAP	National Climate Strategy and Action Plan
NRM	Natural Resource Management
NSRD	National Strategy for Rural Development
NTFP	Non-timber forest products
O&M	Operations and Management
OECD	Organisation for Economic Cooperation and Development
OGM	General Directorate of Forestry
OFID	OPEC Fund for International Development
PDA	Provincial Directorate of Food, Agriculture and Forestry
PFI	Participating financial institution
PIM	Project implementation manual
PPA	Public Procurement Authority
PPL	Public Procurement Law
PPP	Purchasing power parity
RCGF	Rural Credit Guarantee Facility
RFT	Rural Finance and Targeting Expert
RPMU	Regional Programme Management Unit
RIMS	Results and Impact Management System
RPMU	Regional Project Management Unit
SC	Steering Committee
SDIF	Savings Deposit Insurance Fund
SEDP	Sivas Erzincan Development Project
SIP	Strategic Investment Plan
SME	Small and Medium Size Enterprise
SPS	Sanitary and phyto-sanitary standards
TIKA	Turkish Cooperation and Coordination Agency

TARDES	Tarım Kredileri Değerlendirme Sistemi (Agricultural Loan Evaluation System)
ToC	Theory of change
TORs	Terms of Reference
TRY	Turkish Lira
TURKVET	Turkish Veterinary Information Management System
TZOB	Union of Turkish Chambers of Agricultural Producers
UMIC	Upper Middle Income Country
UNDP	United Nations Development Program
URDP	Uplands Rural Development Programme
VC	Value Chain
WB	World Bank
WHO	World Health Organisation
WUAs	Water Users Association



Map of the Programme area, phase 1

## Executive Summary

Turkey has experienced strong economic growth in the last two decades, which has helped drive robust poverty reduction, also in rural areas. However, like many other middle income countries, Turkey has experienced polarising trends such as rising in inequality, social instability and increased uncertainty about future livelihoods. These trends are prominent in rural areas which have seen dramatic transformation over the last three decades; itself a microcosm of the wider polarising trends, driving the rising inequality.<sup>1</sup> Thus, part of rural Turkey has successfully managed to upgrade, integrate and exploit market opportunities that has emerged nationally and globally, not least since the custom union with EU in 1995. Turkey is now emerging as one of the world's agricultural powerhouses with a diversified portfolio and ability to comply with stringent food safety standards. This is in part due to Turkey's favourable climatic and geographical conditions, but also due to robust government support that has encouraged upgrading and expansion, as well as pursued market integration with the world's largest market (the EU), not only in terms of the custom union, but also in terms of approximating Turkey's agricultural production standards and requirements to those of Europe. In addition, Turkey has also been well-placed to serve the high-income but food-poor countries of the middle east. The farmers, processors and traders that have been able to take advantage of these opportunities have been the already relatively well-resourced, typically found in the coastal areas and in the large swaths of the flat Anatolian plains. The farmers in these areas have joined the swelling ranks of Turkey's middle and upper-class also found in the urban areas and contributed to the drastic decline in extreme poverty.

However, the flip side of this development is found in mountainous upland areas, where economies of scale have been challenging and where farmers have historically been placed at a disadvantage due to a combination of poor connectivity, fragmented and hilly land plots and limited exposure to innovation. Consequently, upland areas are trapped in a vicious cycle of emigration of youth, closure of core social institutions, such as schools and health facilities, few public and private investments, low productivity and increased poverty. The marginalisation of the uplands areas has been one driver of rising inequality and increased regional imbalances, with potentially damaging long-term consequences for social cohesion.

It is against this background that Turkey reached out to IFAD in order to assist in piloting new and innovative approaches to tackling rising rural inequalities, with the aim of generating evidence that can inform wider policy making. Turkey was one of the first countries to partner with IFAD as a trusted ally in the fight against rural poverty. In response to Government's request, IFAD fielded a detailed design mission to formulate the engagement meant to address these challenges in the form of the Uplands Rural Development Programme (URDP).<sup>2</sup> Building on the extensive IFAD country experience, the proposed URDP will be the 11<sup>th</sup> IFAD supported development engagement in Turkey and is designed to reflect the growing maturity and trust of the strong and long partnership.

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<sup>1</sup> The gini coefficient reached 0.40 in 2013, up from 0.38 in 2007 and is now among the highest in OECD countries and far higher than any EU member state.

<sup>2</sup> The design completion missions took place from May to August 2017 and comprised: Saliha Akbas; Nejla Furtana and Aylin Celik from MFAL. The IFAD team comprised: Dina Saleh, country programme manager, IFAD, Tom Anyonge, lead advisor, IFAD, Peter Frøslev Christensen, lead consultant, Thierry Lassalle, clustering and value chain expert, Giorgio Venceslai, rural finance expert, Bora Surmeli, rural finance specialist, Chiara Romano, gender/targeting specialist, Mohamed El Ghazaly, M&E and RIMS specialist, Francesca Borgia, rural institutions specialist, Arsalan Vardag, financial management / fiduciary specialist, Agnese Tonnina, economic and financial analyst IFAD, Resat Lule, economist/financial analyst, Walid Dhouibi, procurement specialist, Nicola Drago, rural markets analyst and Yiorgo Polenakis, credit guarantee specialist.

## URDP's underpinning theory of change

The URDP is premised on the basis that IFAD can help drive the transformation of the uplands' economy through support for more resilient and competitive rural farmers and agribusinesses that will generate employment and higher incomes of small farm enterprises. Complementing this main strategy will be the specific focus on rural poor with a potential to graduate into fully commercial farmers that can attain the level of competitiveness required to gain market share. While the URDP's main thrust is to support commercialisation and transformation of smallholder agriculture, this will be complemented by targeted measures to ensure that this transformation leaves no one behind, with specific focus on youth, micro-entrepreneurs, vulnerable women and agro-pastoralists. Consequently, this is a rationale that views the government, international development partners (IFAD included) and the private sector as complementary actors that, if provided with the right incentives and policies, can harness rural growth for inclusive outcomes.

URDP will utilise a diversity of inputs and development engagements that will deliver catalytic outputs leveraging the latent potential of the upland areas, through e.g. clustering, branding, finance, advisory services and accurate targeting. The main assumption is that URDP will address two core challenges holding back smallholders in upland areas. First of all, URDP will seek to overcome the challenges of fragmented and inconsistent production that is a key cause of commercial isolation and limited value added in the uplands. Thus, the clustering will assist in increasing production, productivity and add value, the latter also through better positioning of the - often unique - rural products, that have a robust potential for storytelling; a non-tangible quality that is increasingly in demand among aspirational urban consumers. This will be backed by better advisory services, business development, individual and collective investments (including in economic infrastructure), all while simultaneously factoring in the need to preserve the often-fragile environment and ensure enhanced climate resilience.

Secondly, URDP will also increase utilisation and inclusiveness of rural financial services, that will link up hitherto underserved communities with options for increasing productive investments. By addressing the single most important access constraint, that of insufficient collateral, URDP will increase the penetration and depth of financial services in rural areas and catalyse smallholders' integration into commercial clusters that provide a credible pathway out of poverty. The access to financial services constitute a key sustainable exit strategy of URDP, with clustering activities providing the catalytic support that also serve as 'proof of concept' (as well as concrete upgrading business critical infrastructure). The banks and other participating financial institutions will consequently act as providers of investment finance which will assist entrepreneurs in ensuring more permanency in the provision of investment and working capital.

Both the government and IFAD have an underlying *learning* rationale driving the investments in URDP. It has historically proven difficult to reverse the social and economic decline of marginal rural areas, such as upland areas, both in Turkey and internationally. With rural – urban migration continuing, there is an urgent need to devise strategies that are capable of creating more attractive livelihoods' opportunities that can ensure that part of the youth remain in these areas, and help maintain a certain level of social and economic activity. Therefore, knowledge generation is a central part of URDP aimed at bringing immense field experience into the policy discourse on the proposed economic clustering approach in Turkey. Both GoT and IFAD recognize URDP as a considerable investment in learning which will contribute significantly to replication of the design and implementation of youth empowering agricultural interventions within other upland areas as a whole. Clearly the UDRP may only be one among other ingredients in making livelihoods more attractive in upland areas (e.g. nearby schools and health facilities may also improve attractiveness) but it is clearly one where IFAD has a comparative advantage in sharing from its global knowledge repository.

## URDP main outcomes and translation into development engagements

The **overall goal** of the URDP is to *enhance the prosperity and resilience of upland smallholder farmers*. The strategy for achieving this is to build on and accentuate the treasured characteristics of rural

production ensuring that sustainable land and water use practices are promoted while also increasing the climate adaptive capacity of the numerous smallholders. Thus, the concept is premised not only on ensuring economic clustering into programme design for sustainability reasons, but also leverage these more non-tangible aspects to make the products more unique, through branding, certification and storytelling.

As a corollary of the above-mentioned theory of change, there are two core complementary outcomes: The first will aim at critical agribusiness development support through better natural resource management and higher added value for rural transformation, utilising an economic clustering approach. The second will aim at improving smallholders' access to financial services, leveraging private financial resources in the process. Operationally, each of the two outcomes have been translated into two concrete components that are mutually reinforcing.

**Component one** is aimed at clustering for resilient economic transformation and is the entry point for the engagement aimed at addressing localised challenges which constrain production and marketing of the key commodities grown in the upland regions. This component will increase the volume of production and trade of agricultural products within the selected economic development clusters through both individual/ group investments and support to key economic infrastructure co-managed by the stakeholders. This is expected to lead to increased profitability of upland farming and agribusinesses and hence attract young farmers to remain in these areas. Multi-stakeholder platforms (MSPs) will be established with representatives from all main actors of the selected value chains, including: producers, brokers, traders, processors, input suppliers, transporters and retailers. These platforms will identify binding constraints which hinder clustering and value addition as well as potential opportunities, both at individual agent level as well as at cluster level and encourage economic actors to develop sound business plans accordingly. The platforms will also be the main mechanism to engage with local authorities and business partners. Youth, women and when present, the pastoralist groups, will be represented on the MSPs. The component will facilitate the establishment of 40 economic development clusters (during the first 5-year phase).

**Component two** on inclusive rural finance will address the core challenge of prohibitively high collateral requirements from banks and other financial institutions. The high collateral demands and consequent inability to obtain loans, reduce the availability of investment capital needed to finance the rural transformation that farmers and rural investors in the uplands so desperately need. This lack of wider financial inclusion of the upland communities place them at a significant disadvantage given the increasing commercial and competitive environment. Hence, the URDP will partner with the well-established credit guarantee fund (known as KGF), in which it will open a rural credit guarantee window to be exclusively tailored to service the target groups and their business partners operating in the EDCs who developed sound business and investment plans. KGF has a robust track record of management integrity and solid due diligence, with all major banks participating, both public and private. As KGF has managed to have low pay-outs as well as low operating costs, the IFAD investment will leverage a substantial amount of capital from the private sector (e.g. banks and borrowers). KGF has committed approximately EUR 2.5 million to the rural credit guarantee facility from its own sources, a testimony to its commitment and ownership of this component, and also a concrete translation of the public private partnerships that URDP will catalyse.

### **URDP duration, cost and financing**

The URDP will be implemented over an 8-year period, starting in the second semester of 2018. It will be implemented in two phases and will operate over two funding cycles. This will achieve significant economies of scale and provide a more realistic and appropriate planning horizon, as well as reducing programming costs. Still, substantial adjustments can be made at mid-term review, if needed. Each of the two phases is expected to run for 5 years with an overlap of two years. The overall programme cost for the full 8 years is estimated at EUR 98 million of which EUR 52.5 million is allocated for the

first phase.<sup>3</sup> Additional financing for phase two is estimated at EUR 45.6 million, subject to confirmation and commitment by both IFAD and relevant GoT authorities, including the Undersecretariat of Treasury and Ministry of Development. The financing gap may be partially sourced by subsequent IFAD lending cycles and through co-financing opportunities to be identified during implementation.

**Programme investments** are organized in three main components: (i) Promotion of upland economic development clusters (85.5% per cent of the costs); (ii) Increased utilization of financial services (8.5% of the costs); and (iii) Programme management (6 per cent of the costs). A summary breakdown of the programme costs by components is shown below.

Turkey  
Upland Rural Development Programme  
**Project Components by Year -- Totals Including Contingencies**  
(EUR '000)

	Totals Including Contingencies							Total	
	2018	2019	2020	2021	2022	2023	2024		2025
1. Promotion of Upland Economic Development Clusters	2 778	10 011	12 499	11 622	14 306	19 515	11 581	1 597	83 907
2. Increased Utilization of Financial Services	572	2 203	849	1 088	1 284	1 047	747	545	8 335
3. Project management	805	667	676	808	699	702	714	829	5 900
<b>Total PROJECT COSTS</b>	<b>4 155</b>	<b>12 880</b>	<b>14 024</b>	<b>13 519</b>	<b>16 288</b>	<b>21 264</b>	<b>13 042</b>	<b>2 971</b>	<b>98 142</b>

URDP will be financed by the first IFAD loan of EUR 35.2 million and, subject to availability and agreement with the GoT, by a second IFAD loan of approximately EUR 33 million. IFAD's contribution to URDP will also be in the form of a EUR 0.91 million grant dedicated to knowledge management and south-south cooperation activities. The government contribution will be approximately EUR 16 million for the two phases, and beneficiaries' contributions is estimated at EUR 11 million. The co-financing from KGF to the establishment of the Rural Credit Guarantee Fund will be EUR 2.5 million.

**Lessons Learnt and Synergy with Complementary Projects.** As outlined in *Appendix 3*, the programme design has drawn on the lessons learnt from past IFAD interventions in Turkey and in other countries and from experience of other donors. There are several ongoing efforts underway in Turkey which would have a direct relevance to the URDP. There is the potential for complementarity with ongoing programmes, particularly with the EU under the IPARD framework and with ILO for the training curriculum. In addition, stronger partnerships with a wider range of actors would be explored, including national institutions such as TIKA, private institutions, community-based organisations and other donors. Progressively the cluster integration will allow for significant synergies with the private sector (including banks), that is expected to be the main driver in the long term.

### Expected impact

The URDP is an innovative learning engagement on inclusive rural transformation, providing scalable pathways. These include knowledge on implementation of the economic development cluster approach which will inform policy adjustment for rural development in the upland regions and the potential to replicate similar projects which smallholders, private sector and government will drive forward post-programme. Thus, the quantitative figures outlined below can be viewed as only the initiation of a wider transformative agenda which IFAD and the government aim to catalyse.

Under the URDP, the main impact will manifest itself through a more equitable, balanced and inclusive development process that reduce the divide between the coastal/plain and uplands regions. Consequently, smallholders in the uplands areas will see increased incomes from farming, processing and employment opportunities that the clustering and financial inclusion will bring about. Quantitatively URDP's two phases are expected to benefit about 60,000 households, or 294,000 beneficiaries.

<sup>3</sup> Phase two will commence subject to satisfactory disbursement rate in phase one, recommendations in the supervision mission reports, and, critically, explicit recommendation hereof in the mid-term review. In addition, at least 50% of the planned multistakeholder platforms should be established and functional. Consequently, it will not be automatic and obviously also subject to IFAD's and GoT's ability to mobilise necessary resources.

URDP beneficiaries are divided into three main categories: (1) economically active poor households, (2) economically active households with upsides, and (iii) transformation drivers. The majority of beneficiaries will benefit from component 1's activities, such as improved management and production skills, value chain and business skills, access to cluster investment partnerships (providing partial investment finance), and public infrastructures' construction/rehabilitation. Approximately 9,200 households and 80 clusters' transformation drivers are expected to participate in cluster investment partnerships and access loans. The overall economic internal rate of return of the programme is estimated at 24%. The net present value of the net benefit stream, discounted at 10%, is EUR 102 million.



### Logical Framework

Results Hierarchy	Indicators <sup>4</sup>					Means of Verification			Assumptions
	Name	Base-line <sup>5</sup>	YR1	Mid-Term	End Target	Source <sup>6</sup>	Frequency	Responsibility	
<b>Outreach:</b>	Number of persons receiving services promoted or supported by the project (women)	0	1,000	9,000	18,000	Programme M&E system	Annual	CPMU and RPMUs	•
	Number of persons receiving services promoted or supported by the project (men)	0	500	21,000	42,000	Programme M&E system	Annual	CPMU and RPMUs	•
<b>Goal::</b> Enhance prosperity and resilience of upland smallholder farmers	Percentage reduction in the number of households in targeted areas living below the national poverty line <sup>7</sup>	0	0	15%	40%	Baseline, mid-term and impact assessment surveys	Baseline Mid-term Completion	CPMU	<ul style="list-style-type: none"> <li>Continued social, political and economic stability in the country and no major sustained disruption to market access to major export markets.</li> <li>GoT willing to allocate finance, manpower and technical expertise.</li> <li>Poverty reduction remains priority agenda</li> </ul>
<b>Development Objective:</b> Strengthen the resilience of upland communities, especially youth, and improve their integration into markets.	Percentage of households in targeted areas with a monthly income of TRY 3,000 or higher (10% youth)	TBD	0	30%	90%	Baseline, mid-term and impact assessment surveys/ Annual Outcome Surveys	Baseline Mid-term Completion	CPMU, MSPs	
	Increase in the value of priority products marketed through economic infrastructure of the clusters <sup>8</sup>	TBD	0	USD 25 m	USD 32 m				
	Increase in volume of priority products marketed through economic infrastructure of the clusters (measured in tons, per product)	TBD	0	25%	30%				

<sup>4</sup> Data for all household related indicators to be disaggregated by poverty status, age and gender of household head.

<sup>5</sup> Baseline figures will be updated based on baseline survey results

<sup>6</sup> Additional external sources of data to verify performance will be identified and used wherever possible. This will include data on loans from partner banks, MFAL and MFWA statistics, market trading statistics from Dept of Commerce etc.

<sup>7</sup> Poverty measurement according to the national poverty line (\$4.3 per capita per day)

<sup>8</sup> The M&E system will analyze the data by the different economic development clusters and commodity points. Clearly, farmers are marketing produce already. This indicator will measure the additionality of the clusters.

Results Hierarchy	Indicators <sup>9</sup>					Means of Verification			Assumptions
	Name	Base-line	YR1	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outcome 1</b> Strengthened economic development clusters	Percentage of households reporting an increase in production (Core Indicator 1.2.4)	0	0	15%	40%	Annual outcome surveys	Annually	CPMU, RPMU	<ul style="list-style-type: none"> <li>External socio-economic factors do not disrupt MSPs;</li> <li>Sufficient interest from private sector in MSPs across all priority commodity clusters;</li> </ul>
	Percentage of households having established market linkages within EDC	0	0	20%	50%	Annual outcome surveys	Annually	CPMU, RPMU	
Outputs	Number of MSPs established and functional <sup>10</sup> (Core Indicator policy 2)	0	18	40	80	MSPs meetings	Quarterly	MSPs	<ul style="list-style-type: none"> <li>Outreach of media and awareness campaigns effective in mobilising clusters</li> <li>Uptake from rural entrepreneurs / farmers sufficient</li> <li>Other Ministries willing and able to increase coordination to harmonize support to target communities.</li> <li>Climate change is in line with current predictions</li> </ul>
1.1 EDC MSPs established	Value of infrastructure constructed/ rehabilitated (million EUR)	0	0	12.7	19.7	Programme monitoring reports	Semi-annually	RPMU	
1.2 Supported EDCs infrastructure	Number of persons trained in production practices and/or technologies (Core Indicator 1.1.4)	0	1150	8,800	14,000	Training reports	Quarterly	CPMU, RPMU	
1.3 Farmers/ organizations capacitated	Number of hectares of land brought under climate-resilient management (Core Indicator 3.1.4)	0	0	300	834.4	Programme monitoring reports	Semi-annually	RPMU	
1.4 Farm-ers/organization investments	Number of products branded based on geographical origin	0	0	2	10	Programme monitoring reports	Annually	RPMU	
1.5 Branding and promotion of upland produce									
<b>Outcome 2:</b> Increased utilization of financial services among rural people in uplands	Percentage decline in collateral coverage requested by participating financial institutions	TBD	0	30%	50%	PFI's / KGF	Annual	CPMU and RPMUs	<ul style="list-style-type: none"> <li>GoT and banks participate as expected</li> </ul>
<b>Outputs</b>	Number of loans provided using the credit guarantee scheme (value of loans to be analyzed under the M&E system) (10% youth, 30% women)	0	0	2,820	6,800	KGF reports Bank reports	Quarterly	RPMU	<ul style="list-style-type: none"> <li>Willingness of beneficiaries to take loans/ cluster investment partnerships</li> </ul>
2.1 Developing a new credit mechanism system KGF/PGS									

<sup>9</sup> Data for all household related indicators to be disaggregated by poverty status, age and gender of household head.

<sup>10</sup> Under the M&E system the number of participants will be captured and analyzed by sex, age, type of representatives

2.2 New partnerships established with financial sector actors (mainly private banks)	<ul style="list-style-type: none"> <li>Number of persons in rural areas trained in financial literacy and/or use of financial products and services (Core Indicator 1.1.7) (10% youth, 30% women)</li> </ul>	0	480	2,360	3,240	Training reports	Quarterly	RPMU	
	<ul style="list-style-type: none"> <li>Percentage of persons in rural areas accessing financial services (Core Indicator 1.1.5, 10% youth, 30% women)</li> </ul>	TBD	TBD	30%	70%	KGF reports Bank reports Project reports	Quarterly	RPMU	



## I. Strategic context and rationale

### A. Country and rural development context

1. Turkey is a nation straddling eastern Europe and western Asia (Anatolia) and is also home to modern agriculture as being part of the 'fertile crescent'. It is thus quite fitting that Turkey was one of the first countries to partner with IFAD, which resulted in the first investment in 1982. Since then IFAD has financed 10 projects in Turkey for a total cost of more than USD 660 million, of which IFAD loans amounted to around USD 190 million. Co-financing by the government of Turkey (GoT) and beneficiaries amounted to USD 325 million, with other development partners (incl. IsDB, OFID, WB and UNDP) co-financed the remainder.

2. Today, 80 million people live in Turkey, almost as many as Germany, the EU's biggest member. While population growth has slowed over the last four decades it is still comparatively high at 1.5% which in turn will require continued job creation for the bulging cohorts of youth entering the labour market in the coming years. Until now Turkey has been able to create a substantial number of jobs in both the service and industrial sector, as the economy has expanded rapidly in the last two decades.

3. Consequently, after recovering from the dot-com bust of 2001, Turkey's economy has been one of the star performers in the world. Growth averaged 7.5% in the 2003-2007 period, 4% in the difficult years of the financial crises between 2007 to 2011 and 3.5% from 2012 to 2015.<sup>11</sup> However, in recent years, private investments has remained relatively weak, while the contribution of net exports was negative. Moreover, growth has become more concentrated in the construction sector where productivity gains are lower and hence less likely to drive sustained inclusive growth.<sup>12</sup> In 2016, GDP growth has slowed to 2.1 % year-on-year in the second quarter as net exports continued to deteriorate and private investment activity further weakened. The decline in foreign tourist visits (32 % year-on-year) has weighed heavily on economic activity in the second half of 2016. Consequently, GDP per capita based on purchasing power parity remained unchanged in 2015 at 53 % of the EU average (see figure 2). Industrial production, exports, investments and private consumption dropped sharply in third quarter of 2016 (see figure 2) and, according to estimates from the World Bank, only staged a weak recovery in Q4 leading to the low GDP growth of 2.1% as stated above. Meanwhile, inflation surged to 12% in May 2017, the highest in eight years reflecting the depreciation of the Turkish Lira (TRY), which is now hovering at an all-time low against the currencies of its major trading partners and, crucially, creditors.<sup>13</sup>

4. In the first quarter of 2017 the economy grew by an unexpectedly brisk rate of 5%, driven by increases in both public and private consumption, as well as a significant expansion of the Credit Guarantee Facility (KGF), which expanded credit availability for businesses in general and exporters in particular. However, long-term investments remained subdued.<sup>14</sup> According to most recent (OECD and World Bank, June 2017) medium-term growth is expected to recover slightly in the next few years to reach 3.5% annually, reflecting continued investor uncertainty. This is still significantly lower than the boom years in the 2000's and does pose challenges in reducing especially rural poverty.

5. **Rural-urban migration has been high.** Rural to urban migration increased markedly during the 1970s and reached a peak between 1980 and 1985 when the urban/rural balance tipped. More recent developments indicate that the share of the rural population has been falling from 23.3% in 2011 to 8.3% in 2014<sup>15</sup>. The drivers of inter- and intra-regional migration from rural to urban areas are several: Rapid industrialization and growth in urban service sectors have acted as strong pull-factors, with both incomes and social opportunities higher there. On the 'push-side' highly scattered settlement patterns in some regions (particularly along the Black Sea) have been causing isolation, insuffi-

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<sup>11</sup> Source: Turkish Statistical Institute, [www.turkstat.gov.tr](http://www.turkstat.gov.tr), data extracted in June 2017.

<sup>12</sup> World Bank: World Development Indicators, 2017

<sup>13</sup> Turkish Statistical Institute, 2017.

<sup>14</sup> TurkStat: Quarterly Gross Domestic Product, I. Quarter: January-March, 2017', June 2017

<sup>15</sup> In 2014, the classification of Greater Metropolitan Municipality (GMM) was adopted, when large tracts of rural areas were merged with the urban where villages are now classified as neighborhoods of a GMM.

cient investments to develop and maintain physical, social and cultural infrastructure, high rate of hidden unemployment, insufficient diversification of agricultural and non-agricultural income-generating activities all resulting in low incomes and relatively low quality of life for the rural population. Rural-urban migration is expected to continue as the Turkish economy grows and becomes more sophisticated. However, the rural-urban migration patterns are more complex with e.g. circular migration emerging following both, a seasonal shift (e.g. outmigration during the tourist peak season) as well as life-cycle migration, with older persons returning to their rural area of origin after having worked for a number of years in urban areas.

6. **Turkey has a long tradition of cooperatives in agriculture.** As of 2012 there were 13,935 cooperatives operating in the Turkish agricultural sector which include Agricultural Development Cooperatives (ACD), Irrigation Cooperatives, Fisheries Cooperatives and Sugar Beet Cooperatives<sup>16</sup>. However, the ability to mobilise the smallholders vary but there is clearly a potential to leverage their outreach for more inclusive rural development.<sup>17</sup>

7. **Climatically, Turkey is experiencing increasing temperatures and volatility most notably in the mountainous regions.** Although Turkey is largely situated in the Mediterranean geographical location where climatic conditions are quite temperate, the diverse nature of the landscape, and particularly the mountains that parallel the north and south coasts, result in three main climate zones: Mediterranean, sub-tropic and terrestrial, each with distinct precipitation patterns: i) the convective rainfall in Central Anatolia during spring and summer months, ii) the frontal rainfall in all regions, mainly in the winter and spring months, and iii) the orographic rainfall on the seaward slopes of the Black Sea and the Mediterranean Sea. Average annual precipitation is 643 mm (average of 1941-2007), ranging from 250 mm in the Central Anatolia to over 2500 mm in the coastal area of North Eastern Black Sea. Across the country, approximately 70% of the total precipitation falls during the period between October and April, and there is little rainfall during summer months. Temperatures have increased steadily in each of the two programme provinces, peaks of increase are recorded during early summer and winter, and with Mersin as the province with higher variation. Rainfall, though generally stable in the Eastern Mediterranean provinces and slightly more abundant in the Western Black Sea ones, varies according to geomorphology and average altitude of the province. Even if data shows an increase of available rainfall in most of the provinces, rainfall distribution during the year has changed increasing summer winter and summer precipitations and decreasing during spring and autumn. Snow cover has decreased in both regions and in each province with a more marked decrease in high mountains where snow cover can be up to 4 weeks shorter in time.

8. In addition, upland areas are also facing several challenges in terms of natural resource management. Especially in mountainous areas, soil erosion is a recurrent problem and with increasing rainfall intensity this problem is likely to get worse. Related is the issue of loss of soil fertility and moisture retaining capacity, which many farmers struggle with, partly due to insufficient knowledge of farming practices that can counter soil fertility losses and retain soil moisture. Finally the governance of rangeland for pastoralist is also key natural resource management, where conflicts have erupted and may also do so in the future if left unaddressed. A final challenge is the management of catchment areas of water infrastructures to secure the water source and avoid siltation, where land governance and O&M responsibilities can cause conflicts and have led to unsustainable practices.

9. **Governance has improved.** In the 2000s, the prospects of EU accession, as well as internal pressures, helped drive reform efforts in key governance areas such as the rule of law: progress in this area is a key condition for the EU. Moreover, progress was also made in improving regulatory governance, as well as promoting more broadly good governance. These efforts have contributed to Turkey being one of the best performers in governance rankings compared to its regional peers. Only in political stability and absence of violence does Turkey score badly, partly due to spill-over effect from the war in Syria. A similar pattern can be observed from TI's Corruption Perception Index 2016, which ranks Turkey as better than its regional peers, ranking as the 75th least corrupt country in the world.

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<sup>17</sup> An initial mapping and analysis of farmers' organisations was done at detailed design.

10. The comparatively robust governance systems and their solid integrity is also a key reason why the EU is using budget support as its preferred modality to channel assistance to Turkey (through e.g. IPARD). IFAD has, however, been insisting on strict fiduciary safeguards, not least concerning procurement, but the URDP will gradually rely on domestic systems while also safeguarding fiduciary and management risks (see procurement section). However, there are signs that Turkey is backsliding on some of the key achievements, especially in the last few years.

### Rural Context

11. **While still growing, agriculture's relative importance is declining.** Similar to the historical experience of most other countries, the relative importance of agriculture has declined from 10% of GDP in 2002 to 7% in 2015 with even stronger decline in the share employed in the sector, partly reflecting increased productivity and land consolidation. Thus, in absolute terms agricultural GDP has more than doubled in that timeframe whereas exports have more than quadrupled, a testimony to Turkey's rising status as a major international agricultural exporter, not least to EU. Consequently, these exporters have been able to comply with the rather stringent regulatory and health requirements (incl. SPS). Most of these exporters are obviously big producers typically located in the plains where economies of scale can be achieved. While fruit and vegetables account for around one third of exports other products are also gaining international markets share, in particular tree nuts, raisins, poultry, pasta, and flour.

12. In sum, Turkey is emerging as an agricultural powerhouse with increased diversification of both products as well as markets, although the EU remains the by far most important one. Moreover, the domestic market is also expanding rapidly with increasingly affluent urban consumers demanding more sophisticated products, including those with unique characteristic such as being organic, locally grown and encompassing credible storytelling.

13. **Agriculture is developing into a dual economy** where the rise of highly competitive and large-scale industrial farmers in coastal and plain areas has widened the gap with those left especially in the mountain areas (where economies of scale are harder to achieve). In the latter case, farmers are often disadvantaged by high transportation cost for both inputs and produce as well small farm size. This being a result of both the topographical characteristics (mountainous areas tend not to favour large-scale farms) as well as a history of land fragmentation due to inheritance to multiple sons. Moreover, many upland farmers lack sufficient knowledge and support to avail of existing and emerging market trends.

14. Constraints to agricultural production on the small farms are numerous. One of the most important constraints is the lack of water – animals cannot be grazed too far from sources of water and with rainfalls becoming more unpredictable, irrigation for orchards and vegetable production is more needed. Even where there is water, producers cannot access it. Lack of water for livestock and crop production is a very commonly mentioned constraint and extraction of water is expensive, beyond the means of poor farmers. Underground water sources can be found even in the most mountainous areas – but they are generally quite deeply below ground.

15. Moreover, **small-scale farmers are also facing challenges in accessing financial services.** Currently the main impediment is the lack of collateral. Most banks request for collateral to extend investment loans. Farmers articulate their lack of ability to produce asset based guarantees making collateral as their perceived main impediment for accessing investment credit<sup>18</sup>. By producing a mutual guarantee - in which they have to back each other in case of default – farmers often succeed to bypass the issue of collateral. In January 2017 the introduction of the Commercial Movable Pledge Law that sets forth a publicly registered pledge regime for movables with advantages on the foreclosure process, will allow loan applicants to be able to utilize their movable assets more effectively as a source of collateral for their loans. Once the Movable Assets Registry is in place, loans can be taken

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<sup>18</sup> 78.9% of participating farmers in the agricultural finance field survey declare that collateral/guarantee/guarantor is the number one constraint in obtaining a loan from a bank. The second main constraint is their fear to not be able to repay their debts. Turkish farmers are reported to be proud in nature and not comfortable to accept failure and default in their financial obligations. This assertion is backed and partially explains the fact of relatively low NPLs in agriculture.

over contingent movable assets, such as future cash flows, receivables and assets to be accrued (cash flow based lending rather than asset based lending). However the benefit are still likely to accrue to large and mid-sized farms.

**16. However, there are upsides in upland areas that are increasingly being seized by the younger generation.** First of all, land consolidation is aggressively pursued by the government and has been accelerated to now reach almost 1 million ha. per year, with significant productivity and economies of scale, also due to this being done in conjunction with significant infrastructural investment in e.g. irrigation and connectivity. In the last decade around 4.5 million hectares have been consolidated, and further 10 million more are planned until 2023.<sup>19</sup> A challenge hampering the progress is the often un-registered changes in title deeds and land rights that has happened as the demographic structure has changed, with the original owner perhaps deceased but without any formal transfer of ownership to his children. With many of the original owner's offsprings having migrated to cities or even abroad, resolving the inheritance formalities can be challenging. Nevertheless, with drastic out-migration from many rural areas during the last 3 decades there is now a historical opportunity to reverse decades of land fragmentation as many have (or are close to) abandoning their land. Moreover, analysis of price-elasticity, market demand and crop production projections indicate that there is untapped demand for a many of the crops grown by poor upland farmers; in fact for a majority of the crops analysed, prices *increase* with increased production, suggesting that with adequate support measures, the upland areas could be transformed into profitable production areas, often of niche crops that command a premium.<sup>20</sup> Catalysing this transformation also underpins URDP's rationale and the theory of change that constitute the core thrust of the programme.

## **B. Rationale and underpinning theory of change**

17. IFAD has been a partner to the government for more than 3 decades, with an unwavering focus on inclusive rural development, also in challenging times with political and economic volatility. What has been consistent is the focus on high integrity in project execution, robust partnership with MFAL, farmers, processors and rural service providers that has allowed for transformative impact and rural poverty reduction. Now, more than before, there is a need to leverage IFAD's competencies to overcome the challenges and to make Turkey's upland areas more resilient and competitive.<sup>21</sup>

18. The policy framework objectives are consistent with IFAD's mandate. At the macro level, Turkey's tenth development plan aims at increasing the living standard of the Turkish population and the quality of life of every individual. In particular, relevant to IFAD, are the plan's ambitions to reduce rural poverty, through increased competitiveness and by linking rural areas to better commercial opportunities. This is also reflected in the National Rural Development Strategy (NRDS) covering the 2014-2020 period that has been prepared as an implementation tool of the 10th National Development Plan. NRDS aims to increase the productivity of rural population and decrease the gap between income levels of rural and urban population.

19. The main theory of change (ToC) upon which the URDP rests is that IFAD can help drive the transformation of the uplands' economy through support for more resilient and competitive rural farmers and agribusiness that will generate employment for poor rural labour and as well as enhancing incomes of small farm enterprises. Complementing this main strategy will be the specific focus on rural poor with a potential to graduate into fully commercial farmers that can attain the level of competitiveness required to gain market share. While the URDP's main thrust is to support commercialisation and transformation of agriculture, this will be complemented by targeted measures to ensure that this transformation leaves no one behind. First of all, investments will be directed to areas which are overwhelmingly populated by the rural poor, i.e. uplands mountainous areas. Secondly, support will be

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<sup>19</sup> MFAL, 2015

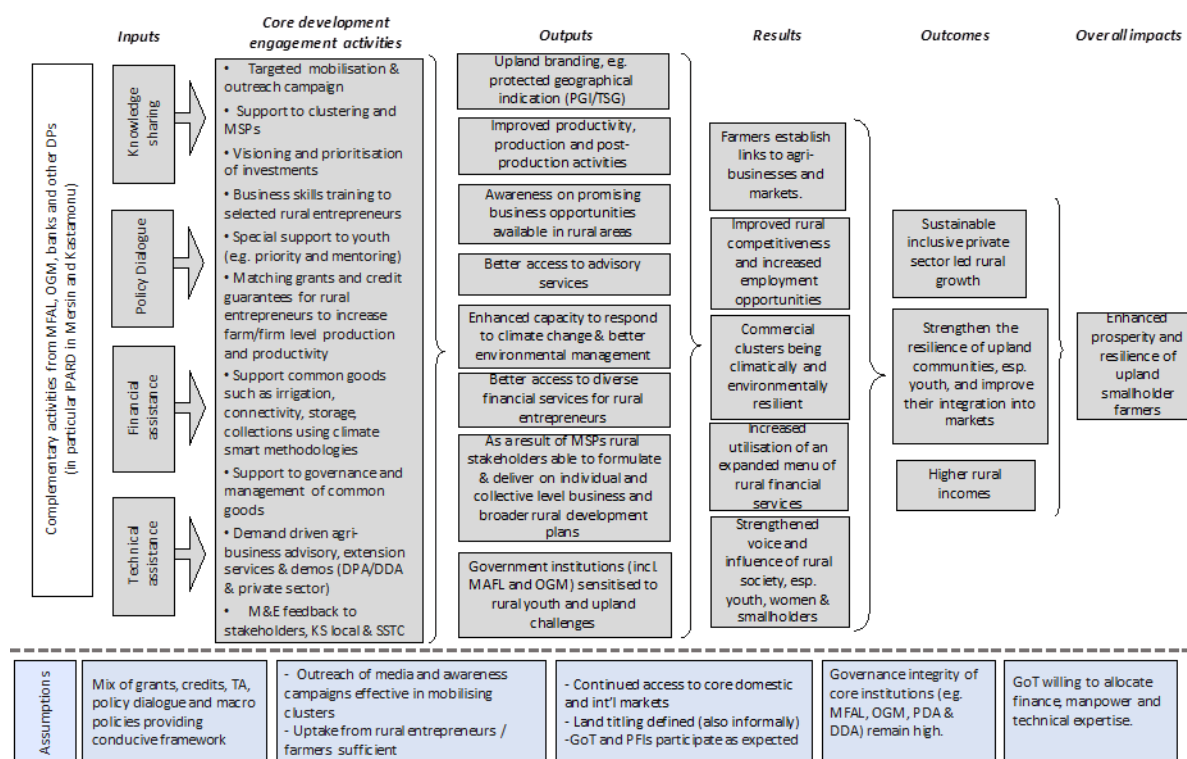
<sup>20</sup> IFAD: URDP Working Paper on Marketing Issue, August 2017. See also appendix 1.

<sup>21</sup> The term resilience encompass more than climate resilience and also includes aspects of economic resilience and ability to recover from various shocks. A measure of economic resilience is increased income as also reflected in the logframe. IFAD's Multi-Dimensional Poverty Assessment Tool (MPAT) will be used to measure ability to recover from shocks.



directed at sectors with a high positive impact on the rural poor's income (e.g. labour intensive, high value crops). Thirdly special interventions will be directly aimed at the poorer segments, including activities for micro-entrepreneurs and vulnerable poor women and agro-pastoralists. Consequently, this is clearly not a rationale that is based on blind faith in trickle-down economics, but rather a rationale that views the government, international development partners (IFAD included) and the private sector as complementary actors that, if provided with the right incentives and policies, can harness rural growth for inclusive outcomes.

**Figure 1: Theory of change underpinning URDP**



20. As can be seen from the above ToC, URDP will utilise a diversity of inputs and development engagements that will deliver catalytic outputs leveraging the latent potential of the upland areas, through e.g. clustering, branding, finance, advisory services and accurate targeting. The main assumption is that URDP will address two core challenges holding back smallholders in upland areas. First of all, URDP will seek to overcome the challenges of fragmented and inconsistent production that is a key cause of commercial isolation and limited value added in the uplands. Thus, the clustering will assist in increasing production, productivity and add value, the latter also through better positioning of the - often unique - rural products, that have a robust potential for storytelling; a non-tangible quality that is increasingly in demand among aspirational urban consumers. This will be backed up by better advisory services, business development, individual and collective investments (including in economic infrastructure), all while factoring in the need to preserve the often-fragile environment and ensure enhanced climate resilience.

21. Secondly, URDP will also increase utilisation and inclusiveness of rural financial services, that will link up hitherto underserved communities with options for increasing productive investments. By addressing the single most important access constraint, that of insufficient collateral, URDP will increase the penetration and depth of financial services in rural areas and catalyse smallholders' integration into commercial clusters that provide a credible pathway out of poverty. The access to financial services constitute a key sustainable exit strategy of URDP, with clustering activities providing the catalytic support that also serve as 'proof of concept' (as well as concrete upgrading business critical infrastructure). The banks and other participating financial institutions will consequently act as

a provider of investment finance and develop links with the rural entrepreneurs ensuring more permanency in the provision of investment and working capital.

22. Combined, the two core development engagements and their outputs are expected to deliver three outcomes: Sustainable private sector led rural growth that is inclusive, with special focus on smallholders, women, youth and agro-pastoralist. Secondly, a key outcome will be to make the achievements both commercially and environmentally resilient to ensure that core sustainability challenges are addressed. Commercial sustainability will be sought through stronger integration into higher added value markets whereas environmental sustainability will be mainstreamed throughout the engagements, e.g. in advisory services, infrastructural requirements, loan approval processes and crop choices. Finally, these engagements are expected to permanently lead to higher rural income not only for the target groups, but also for a wider section of the rural private sector as the investments and increased business activity will have substantial multiplier effects. All three outcomes consequently underpin the overall expected impact of increasing the prosperity and resilience of uplands smallholder farmers.

23. Both the government and IFAD also have an underlying *learning* rationale driving the investments in URDP. It has historically proven difficult to reverse the social and economic decline of marginal rural areas, such as mountainous areas, both in Turkey and internationally. With rural – urban migration continuing, there is an urgent need to devise strategies that are capable of creating more attractive livelihoods opportunities that can ensure that part of the youth remain in these areas, and help maintain a certain level of social and economic activity. Clearly the URDP may only be one among other ingredients in making livelihoods more attractive in upland areas (e.g. nearby schools and health facilities may also improve attractiveness) but it is clearly one where IFAD has a comparative advantage in sharing from its global knowledge repository.

24. Closely related to the learning rationale is the ambition to *scale up* successful engagements that prove to be relevant, effective and efficient. A strong focus on innovation, knowledge management and policy engagement will offer the government the opportunity to draw on the implementation experience in improving its own policies, strategies and investments for smallholder agricultural development, including by simply replicating the concepts more widely. In this process, strong budgetary commitment from government to the programme augurs well for future scaling up. Second, URDP will strengthen the capacity of the different actors in the clusters, and assist them to build sustainable business relations that can be subsequently scaled up. The programme will work with selected groups of producers and processors with common interests. It will help these to graduate into business-oriented associations/companies to deliver services to their members/shareholders and/or establish sustainable linkages with input suppliers, output buyers, specialized agro-technology service providers, micro-financers and banks; and enable them to make their voice heard in policymaking processes. Scaling up will also be achieved by promoting financial partnerships with the private sector. Moreover, by engaging local partners from the onset, IFAD will also expand core institutional-organizational spaces that will allow for domestically led and financed scaling up.

## II. Programme description

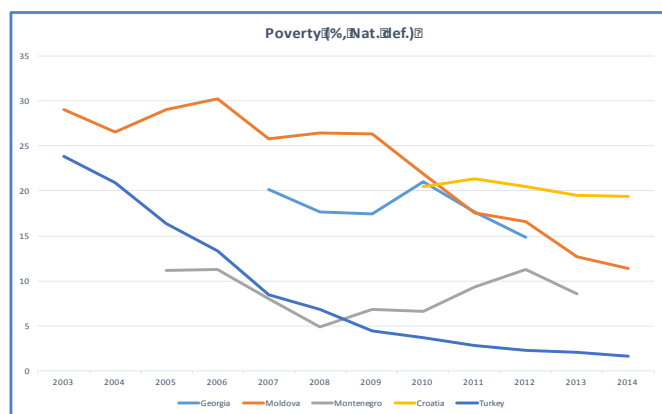
### A. URDP's targeting strategy and groups

25. **Poverty levels have been significantly reduced but remains of concern especially in URDP areas.** There has been consistent poverty reduction in Turkey since the early 2000s. Remarkably, 89 percent of this decline has been driven by growth. The most recent figures show that absolute poverty decreased from 23.8 percent in 2003 to 13.3 percent in 2006, 4.4 percent in 2009 and settled at 1.6% in 2014<sup>22</sup>. However relative poverty as measured by the poverty rate (share of the population earning less than 50% of the median disposal income) is higher (at 18% in 2012 and according to national sources at 15% in 2014).

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<sup>22</sup> World Bank: Country Overview Turkey Data.

**Figure 2: Poverty in a regional perspective**



26. In UNDP’s latest Human Development Report (2016), Turkey’s Human Development Index (HDI) stands at 0.761, placing it in the “High Human Development” category, ranking 72th out of 188 countries. However, when the value is discounted for inequality, the HDI falls to 0.641, a loss of 15.8 percent due to inequality in the distribution of the HDI dimension indices, with income inequality at 21.8%. and with the Gini index (WB data) rising from 38.7 in 2010 to 40.1 in 2013, which is high in a European context.

**27. The poor are overrepresented**

**in rural areas.** There continue to be substantial socio-economic development disparities in contemporary Turkey between rural and urban areas, between lowland and upland areas, and between the western and the eastern provinces of the country. Poverty is now concentrated in the remaining rural population, with a rural poverty headcount ratio of approximately 5.13% at national poverty line versus 0.64% among the urban population (2013<sup>23</sup>, Turkstat). Poverty rates have fallen much faster in urban areas – rural poverty headcount ratio was 1.6 times higher than urban rates in 2002 (38.8% rural vs 24.6% urban) but had increased to 8.0 times higher by 2013 due to the rapid decline in urban poverty. As a result, the far higher poverty rates in rural areas now means that 75% of all poor people live in rural areas. Furthermore, rural poverty disparities show higher concentration of poverty in upland areas, especially in the forest villages and villages neighbouring forests.

**28. Forest villages have higher poverty incidence** Forest villages are those containing a forest within their administrative borders. They typically have a living standard far below the national average, limited education and healthcare services and high unemployment rates. Today Turkey has more than 21,000 forest villages; their combined population is 7 million (10 percent of Turkey’s population), although it has been declining with rural-to-urban migration. Forest villagers depend on traditional animal husbandry, low-productivity agriculture and forestry work<sup>24</sup>. These are classified by law according to their relative location to the forest: i) In-forest villages: surrounded by forests from all directions, comprise 41% of the total number of forest villages, and ii) Forest-neighbouring villages are those that have common boundary with a forest from 1-3 sides, comprise 59% of the total.

**29. The causes of rural poverty are complex.** In addition to the migration, small land area holdings, climate vulnerability, it is also evident that the low incomes derived from agriculture stem primarily from weak links to markets and low competitiveness of the outputs produced. This, in turn, is caused by constraints on both supply and demand sides that together form a vicious circle which is hard to break. On the supply side, farm size, farming patterns, problems related to innovation, lack of post-harvest storing facilities, handling and packaging, are the main causes for limited marketing opportunities available to rural producers. This in turn is linked to demand side failures, i.e. the underdevelopment of vertically coordinated supply chains that could play a key role in driving demand for agricultural produce in line with market requirements.

**30. Gender inequalities.** The Gender Development Index (GDI)<sup>25</sup> and the gender inequality index from 2016 shows that female HDI value for Turkey is 0.724 in contrast with 0.797 for males, resulting

<sup>23</sup> 2013 is the most recent year for which rural urban disaggregated data is available.

<sup>24</sup> FAO 2010, Unasylva 23 5, V o l. 6 1.

<sup>25</sup> The Gender Inequality Index (GII), a measure used by the United Nations Development Programme (UNDP), indicates that Turkey experiences a loss in potential human development equivalent to 36 percent, due to disparities between fe-

in a GDI value of 0.908 with Turkish women living longer than men (78 vs 72) but with lower income than men (10,648 vs 27,035)<sup>26</sup>. Women face a higher risk of poverty than men in both urban and rural areas, but the gap is less significant for urban residents. From 2002 to 2009 (the most recent data available that are disaggregated by sex and location)<sup>27</sup>, poverty rates for both sexes living in urban areas declined, while the poverty levels of rural residents increased during the same period, with rural women experiencing the highest levels of poverty. In 2009, the poverty rate for urban women was 9.3 percent, compared with 40.2 percent for rural women. While rural men also experience greater levels of poverty than men in urban areas, the gap is slightly narrower than it is for women (8.5 percent for urban men and 37.1 percent for rural men).

31. **Rural youth challenges.** At country level, one of the major problems specific to youth in general is unemployment. In 2010<sup>28</sup>, the rate of youth unemployment in urban areas was about 10 points higher than in rural areas, where agriculture was the largest field of employment. However, the rate of agricultural employment is gradually falling as the rate of rural unemployment tends to rise recently. Youth face particular challenges in rural areas with ever decreasing number of attractive social facilities, including schools and cultural facilities and a limited value added in agriculture discouraging them to invest their time and energy in the sector. Some rural youth remain in the villages to engage in agriculture activities, while others seasonally move to small towns and cities (3 to 5 months) to find jobs mainly in construction and tourism sectors. When they return to their villages they are usually engaged in rural activities, especially forest products. Youth in Turkey are considered those groups whose age is between 14-29, however in the implementation of specific national youth programmes, especially in the rural sector, official categories include those between 14-29 and between 30-40 years, moving youth age limits up to 40 years old (as it is the case of the current programme).

32. **Target areas:** During the first phase, the programme will be implemented in two regions in a total of six provinces: The Eastern Mediterranean (Adana, Mersin, Osmaniye) and Western Black Sea (Bartın, Kastamonu, Sinop) covering 35 districts and targeting 30,000 households. In the second phase, the programme will assess the feasibility of including two additional provinces: Kahramanmaraş (Eastern Mediterranean) and Çankiri (Western Black Sea) reaching an additional 30,000 households.

33. The intervention will focus its activities in upland and transitional areas in the programme provinces where farm and pasture land is mostly above 600 m and where most of the forest villages and neighbouring forest villages are located. However, some villages located below 600 m (i.e. between 400 and 600 m) may also be selected on the basis of topographic factors: i.e. located in steep, sloping areas and presenting characteristics similar to upland villages (being particularly disadvantaged due to their location) to make them eligible for programme support.

34. Selection criteria will include geographic location (i.e. altitude) topographic factors (location in steep, sloping lands) coupled with other criteria such as socio-economic aspects, including poverty (forest and neighbour forest villages are poorer) presence of active population (15-64) and young population (15-40), climatic conditions and potential for enterprise development of selected value chains of upland products.<sup>29</sup>

35. **Target groups.** A strong focus on effective targeting in MICs is needed to ensure: (i) targeting to reach the rural poor is essential to underpin the rationale for IFAD's engagement; (ii) however, it is also important to note that the context poses some challenges in reaching the poorest, as this group

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male and female achievements, empowerment and economic status (calculated as a GII value of 0.359, where zero indicates full equality and a value of 1.00 represents the highest level of inequalities). The GII is based on indicators in reproductive health, literacy, political representation and labour market participation, but it does not take into account other important dimensions, such as the tendency for women to work in informal and unpaid labour, including agricultural work.

<sup>26</sup> Calculated on the basis of 2011 PPP \$.

<sup>27</sup> National Gender Profile of Agriculture and Rural Livelihoods Turkey, FAO 2016.

<sup>28</sup> National youth employment action plan 2011.

<sup>29</sup> I.e. coastal activities and fisheries will not be considered.

primarily consists of older men and women with limited productive potential, often surviving on a combination of social transfers, pensions, remittances and backyard farming, with the latter being for own consumption and informal sales. With limited investable surplus and no access to investment credits, this group cannot drive the rural transformation that the URDP aims to catalyse.

36. Accordingly, URDP's focus will be mainly on the *economically active poor*, those remaining in rural areas that have a potential to invest time, effort and capital and thus catalyse this transformation and targeting the active population. This is also in line with the experience for/from other MICs in the region (e.g. Georgia and Moldova), which have seen similar depopulation of the rural areas, with resulting similar characteristics of the poorest. This approach has also been validated in IFAD's evaluation of its engagement with MICs<sup>30</sup>. However, it is obviously also important to guard against elite capture and hence both selection criteria and subsequent monitoring and evaluation (M&E) arrangements will ensure that benefits are accruing to the core target groups, including reaching at least 30% of women and 10% youth.

37. Beneficiaries can be divided into three main target groups: (i) economically active poor producing at semi-subsistence level; (ii) economically active poor with upside potential (iii) transformation drivers (suppliers, traders or agri-enterprises). Their characteristics are as follows:

38. ***Economically active poor rural households, semi-subsistence*** These poorer households' monthly income is below TRY 2,000. Part of this income is from agriculture and forestry coupled with other incomes derived from off-farm activities and also combined with irregular remittances from seasonal migration. Households in this category constitutes 60% of the total targeted households and they include three "sub-groups" categories.

- (a) *Mixed farming poor households*: These include poor men and women farming small areas of land of up to 0.5 ha (5 decares); growing some fruits / vegetables; keeping some livestock (approximately 1-5 cows, 10-20 sheep/goats) and having access to rangelands for animal feed. They process cheese and other products for household use and occasional informal sales. Nevertheless, proceeds from agricultural activities make a vital contribution to the viability of their livelihood by supplementing non-farm income. They often have poor quality soil and irregular access to productive water sources and irrigation, limiting their productivity and levels of volumes produced. This in turn makes them unattractive for commercial value chains, entrenching their marginalisation.
- (b) *Yörük*: these include 120-150 large families of semi-settled transhumant pastoralists. Those families are involved in rearing of animals (mainly goats) and dairy production. They reside part of the year along the coastal area (mainly in Mersin province) where they keep their animals during the winter and combine their livelihood with petty agriculture production for self-consumption. Before summer they migrate in the upland areas for 6 to 8 months where they have access to the rangeland for their animals. They live in tent (traditional/plastic) or very rudimentary houses lacking most of services, including electricity due to the very remote and disadvantaged locations. They sell their products through informal markets and along the roads directly to buyers. Rangeland governance challenges often limited both access to and the quality of the land, with urbanisation, crop planting and overgrazing being common issues.
- (c) *Young rural entrepreneurs*: These include (i) young men and women (below 40 years) who are engaged (on full time or part time basis) in rural activities at subsistence level with an interest to further expand their activities to make it as a business and increase their income, and (ii) unemployed (or seasonal workers at minimum wage) young men and women who are not directly engaged in rural activities and represent *new entrants* who are interested to explore the sector, identify and engage in better employment and self-employment opportunities offered by the cluster development. They are interested in new agricultural and agri-business practices that e.g. improve soil health and quality as well as in consolidating abandoned agricultural plots.

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<sup>30</sup> See IFAD-IOE: IFAD's Evaluation of Engagement in Middle-income Countries' 2013.

39. **Economically active with upside potential** are men and women smallholders and/or small-scale processors who typically own 1 ha of farm land (often orchards); 10 or more cows; 50-100 sheep and goats, and 100 -150 bee hives. They have sufficient labour and skills as well as access to natural resources, including rangelands areas, but lack affordable inputs, finance, connectivity to networks and markets, technical capacity and scale. They process a range of products (e.g. milk, meat and honey) which are sold through formal and informal outlets such as neighbours, friends and seasonal residents spending summer in upland areas. Monthly income is above TRY 2,000. Agriculture production provides more than 50% of their annual income and being close to full time involved in the activity, they have the potential to provide consistent increased volumes and quality of their output to meet safety compliance standards and market requirements. They have the capacity to increase the productivity of their soil and some already engage in new agricultural and irrigation practices, IPM and CA included. They represent 35% of the targeted households.

40. **Transformation drivers** These include actors at least one step higher in the agriculture value chain, including lead farmers, agro-enterprises and processors who can serve as aggregators and models to demonstrate the viability of new approaches to increase rural resilience and provide potential development pathways for the poor, including generating employment opportunities. They tend to use cutting edge soil, land and water management regimes, that can also serve as drivers for wider adaption and adaptation. In the economic development cluster-based approach, the private sector will play a crucial role in driving market-led enterprise growth and provide commercial outlets opportunities for smallholders. The project will engage with them not as producers but as linkage for market services. Given the commercial nature of their involvement in the value chain, project takes into consideration of their influence and outreach potential to serve other producers with market linkages instead of income. They are 5% of the targeted beneficiaries.

41. **Outreach and type of beneficiaries.** The total URDP outreach is estimated at around 60.000 households (or some 294.000 persons)<sup>31</sup> having 30.000 households in phase one. Not all beneficiaries, however, will derive the same types of benefits, and depth of outreach will vary. Thus, beneficiaries may be categorized as follows, according to the type and combination of services they will receive from the project:

42. **Primary beneficiaries.** They are the key actors in the VC who will benefit from: i) accessing the multi stakeholder platform (MSP), ii) improved productive infrastructures, iii) market development and iv) accessing finance through cluster investment partnerships and loans (either as individuals or as a group, i.e. cooperatives/associations) to invest in a profitable activity. Through component 1, *Promotion of Upland Economic Development Clusters*, they will be supported to establish business and trade agreements, including identifying investment solutions for improved/increased production and business plan development. Farmers organisations will also be included, to the extent they mobilise this target group. Component 2 *Increased utilisation of financial services*, will then support access to financial services and suitable financial products for the targeted beneficiaries. This will be key to realise the required investments to upgrade their levels of capacity in the activities they are engaged (i.e. producing, buying and selling, processing) as in line with the transformation pathway principles.

43. Within this group, the active smallholders and poorer farmers will benefit the most as they will receive (i) trainings to improve production and productivity (ii) capacity development for their business skills (iii) leadership trainings, especially for women and youth, to enable their active participation and representation in the MSP (iv) access to finance to upgrade/expand their production or initiate an agriculture entrepreneurial activity related to the cluster development opportunities.

44. All households will benefit from improved access to roads and productive infrastructures and a smaller group will benefit from the cluster investment partnerships. As a result of URDP interventions, the group of primary project beneficiaries are expected to increase their incomes significantly. In addition to this, women and youth are expected to strengthen their presence and representation in key decision-making processes (MSP meetings) driving their access to better income and employment opportunities.

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<sup>31</sup> On the basis of rural household average size of 4.9

45. **Secondary beneficiaries.** These are all the producers, suppliers, traders or agri-businesses who will not partake in the cluster investment partnerships or business skills/ production training, but who will participate in cluster meetings, be active members of the MSPs and, gradually will enter in cluster activities. The improved production and market conditions, as well as strengthened availability of finance and suitable financial products created by the project will stimulate their motivation to join the VC activities with their own investments, ultimately resulting in improved incomes.

46. **Tertiary beneficiaries.** These are the households who will benefit from the improved roads and productive infrastructure (for example, a water supply scheme will be useful either for production as well as for domestic use) as well as better use of natural resources (i.e. improved rangeland management practices) but who will not receive any other support from the project and will not engage in IFAD supported VC activities. They will essentially benefit from improved resilience to climate change and from a more modest increase in incomes, compared with the previous two categories.

47. **Targeting strategy.** Targeting will take place in a three-stage process: (i) geographic targeting (ii) cluster selection; and (iii) beneficiaries' selection, with specific targeting measures to ensure outreach to poorer smallholders, women and youth.

48. **Geographic targeting:** The intervention will focus its activities in upland and transitional areas in the programme provinces where farm and pasture land is mostly above 600 m and where most of the forest villages and neighbouring forest villages are located. However, some villages located below 600 m (i.e. between 400 and 600 m) may also be selected on the basis of topographic factors: i.e. located in steep, sloping areas and presenting characteristics similar to upland villages (being particularly disadvantaged due to their location) to make them eligible for programme support.

49. **Economic development cluster selection.** Participation/inclusion of villages / communities in the economic development clusters considered under URDP will not be driven by administrative division (i.e. clusters selected and grouped together on the basis of district administrative "boundaries") but will be driven by market oriented principles and "trade corridors" cutting across different administrative units. Territorial development as a much broader concept will be at the basis of the economic cluster development coupled with market led-principles and value chain actors aggregated on the basis of income and economic opportunities. Those opportunities have been identified around the following main products: fruit and nuts (orchards), honey (bee-keeping), live animals and milk (cattle keeping, small ruminants keeping), vegetables (irrigated scheme and greenhouses), and non-timber forest products (NTFP, from forest).

50. The products have both confirmed market demand and income potential for smallholders. They offer opportunities for smallholders in different settings and with different available resources. As well as the fundamentals of confirmed market demand and profit opportunities for smallholders, a key selection criterion has been the existence of feasible investment pathways for poorer smallholders to benefit from the supported product clusters. In particular, cluster selection has considered the minimum practical scale of a starter investment by a smallholder to upgrade their production to a level at which a share of their increased income earned can be reinvested to continue to grow the farm, ultimately delivering sufficient returns on labour to farmers.

51. **Beneficiaries' selection and participation.** The targeting strategy will include a mix of methods and approaches. Self-targeting will be one of them, as many activities will be of immediate relevance to the economically active farmers (poor and better off) and other VC actors, who will have a genuine interest and motivation, at least initially, to participate in clusters' meetings and/or activities. Targeted activities will also be directed to women and youth being 30% and 10% of programme beneficiaries respectively and transhumant pastoralists households (120-150 families).

52. Participation in clusters' meetings will be primarily ensured through communication efforts and networking by the Regional Project Management Unit (RPMU) in general and translated into concrete actions at district level by the Farmers Support Teams (FSTs) who will be engaged in beneficiaries' mobilisation. To ensure that economically active smallholders, poorer producers and the pastoralists are effectively participating and benefiting, the method of *eligibility criteria* will ensure that they are efficient to avoid elite capture, and adequate to promote the effective participation of the poor farmers, pastoralists, women and the youth. The FSTs will receive trainings to apply those criteria during mobilisation of beneficiaries. In addition to this, it will be ensured that meetings venue and time are suitable

for target groups to participate and this will also take into consideration, to the extent possible, trans-humance calendar of the pastoralists and their reach out. Mobilisation of farmers will not be limited in the first year, but will consider other rounds in year 3 and 4. This should ensure that more risk averse and poorer farmers will have the opportunity to enter the clusters later, once the clusters are more established and when they can learn from their "early adopter" neighbours' successes and piggy-back on the more established market linkages.

53. **Women participation:** Women represent 30% of beneficiaries. they are expected to be mobilised and organised in groups to receive specific trainings on the basis of their interests and activities along existing or new opportunities resulting from the cluster development. Trainings will focus (but not limited to) on improved production and productivity, demonstration of time- and labour-saving technologies, financial literacy and business skills trainings as well as leadership. The last being particularly important for women's groups representatives to actively participate in the MSP, to ensure that women's view and interests are captured in development planning process and key decisions taken at that level (e.g. formulation of the strategic investment plan, SIP). The MSP is expected to have between 20% to 30% women active participation: the approach is considered particularly relevant for women (as well as for youth and other social categories otherwise under or not represented) as they will be able to have a space within a newly created form of organisation, thus increasing the opportunities for them to proactively participate and overcome limitations that they face in traditional institutions (village level/ cooperative) whereby their presence is low.

54. **Youth participation:** Youth will also be organized in groups (young men and young women) on the basis of their interest and different degrees of participation in the programme; i.e. as existing farmers' producers or new entrants, thus being organized accordingly and receiving targeted interventions and trainings on the basis of their aspirations and interest in engaging in agricultural activities. New entrants (about 400 individuals) will receive additional intensive trainings and special measures will be applicable for them to access cluster investment partnerships. Presence of active youth representation in the MSP (between 5 to 10%) will ensure that their views and aspirations are captured during key planning processes (i.e. visioning of a shared development process) and relevant outcomes (e.g. the investment priorities) reflect the need and innovative ideas of young farmers.

55. **Pastoralists participation:** Pastoralist and agro-pastoralist will be engaged with at the beginning of the intervention and consulted accordingly to ensure that they will have equal opportunities to participate in the cluster. Representatives from this group will participate in the MSP (at least between 10 to 20%) and their involvement and formal representation will be strengthened within the rangeland management commissions so to allow their participation in the development of rangelands use and management plan. Trainings on improved practices of animal husbandry, rangeland management will be provided along with financial literacy trainings. Given their disadvantaged socio-economic conditions, special measures will be applicable for them to access cluster investment partnerships.

56. The MSP represent a unique and innovative way to strengthen the presence, visibility and the agency of social actors that otherwise will remain marginal to the process of rural development but are key to drive the expected transformation. Traditional models, roles and practises confine those actors in stereotypes that limit their full inclusion within development interventions. This is visible in the low participation of women and youth in traditional forms of organisation where the head of the household (usually adult man) is supposed to participate (i.e. village committees, cooperatives). Their active participation through the platform is expected to generate ideas and increase their motivation as well as opportunities for employment and self-employment which are suitable for them.

57. Staff from the RPMUs and service providers will be sensitised on the importance of youth and gender mainstreaming. A gender, youth and social inclusion expert will be part of each RPMU and will work in close collaboration with the RPMU VC Specialist to develop a gender action plan and a youth action plan for URDP.

58. The same coordination will be ensured within the FSTs whereby the two experts will have to work in synergy to ensure the above action plans are implemented. The gender, youth and social development specialist working in the FSTs will also use specific tools from the household methodology (i.e. visioning tools) as part of capacity development activities undertaken at HHs level. The same ex-



pert will also be responsible to support mobilisation strategy in consideration of pastoralists movements and put extra effort to ensure that FST is also reaching out this target group.

59. The M&E officer will consolidate and analyse the sex- and age-disaggregated and poverty data to track project engagement with households who may otherwise be excluded, and work with RPMU colleagues and service providers to strengthen youth inclusion.

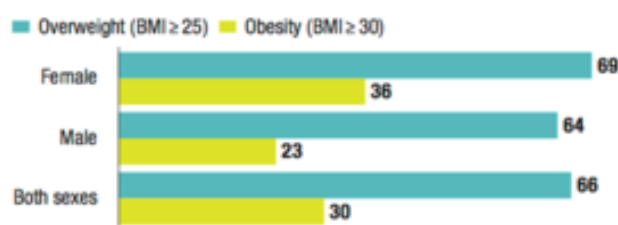
60. **Nutrition:** Both under and over-nutrition are prevalent in Turkey. The latter is not only a reflection of wealth (more diverse diets) but also poverty (diet based on carbohydrates, saturated fats etc.). Stunting is hindering poverty reduction as physical and cognitive impairment results in lower school performance, fewer opportunities in the professional life and also additional costs because of a higher frequency of sick episodes. Poor diets being either on the excess or the deficit side can also negatively influence a healthy (and thereby also resilient) living. There is a translation of poverty in nutrition-relevant aspects. The selected food value chains might have a potential of a positive impact on a healthy diet and could be part of the tailored nutrition education.

61. According to World Bank Data, Turkey, with 10% stunting rates, has a much higher prevalence of stunting than other European countries. Within the country, there is wide variation across geographic areas and socio-economic groups: 22% of children in the lowest wealth quintile are stunted compared with 2.1% in the highest wealth quintile. Among regions, 21% of children in the East of the country are stunted compared with 4.5% in the Central region.

62. Although Turkey has met MDG 1c (halving 1990 rates of child underweight by 2015), it has seen a recent increase in adult obesity but also overweight in children below the age of 5 years (11%). At the same time low birthweight prevalence is at 11% as well. Low-birth weight infants and overweight children may be at greater risk of chronic diseases such as diabetes and heart disease than children who start out well-nourished. The double burden of stunting and overweight/obesity is the result of various factors. There could be further improvements in population health measures to reduce undernutrition; at the same time, the adoption of unhealthy diets high in refined carbohydrates, saturated fats and sugars, as well as a more sedentary lifestyle are commonly cited as the major contributors to the increase in overweight and chronic diseases.

63. According to latest intercountry comparable overweight and obesity estimates from 2015 (IFPRI) data show that 66% of the adult population (> 20 years old) in Turkey were overweight and 30% were obese. The prevalence of overweight was lower among men (64%) than women (69%). The proportion of men and women that were obese was 23% and 36%, respectively<sup>32</sup>.

**Figure 3: Prevalence of adult overweight & obesity, 2014 (%)**



Source: WHO 2015.  
 Note: BMI = body mass index.

64. IFAD is committed to addressing malnutrition in all its forms in its investments. This includes in addition to underweight and micronutrient deficiency also overweight and obesity. Adulthood obesity prevalence forecasts (2010–2030) predict that in 2020, 44% of men and 26% of women will be obese. By 2030, the model predicts that 51% of men and 25% of women. Policies and actions have been taken at national level to improve dietary habits and also and consumer related awareness initiatives. In line with those initiatives, the programme intends to take advantage of the MSP and use it as an entry point for nutrition education sharing information and creating awareness.

<sup>32</sup> Nutrition Country profile 2015, Turkey, IFPRI

65. **Tailored nutrition education** for producers/consumers involving also the private sector through the MSP will be organised to advocate for healthy diets and food systems. Key topics will be: (i) Nutrient values (ii) dietary diversity for healthy diets (iii) consumer information on healthy food choices to allow purchase of food on the basis of informed decisions, and (iv) food safety concerns. The education will be gender and youth sensitive reflect both gender and youth preferences in dietary choices and options, tailored to the local context. If needed a nutrition causal analysis may be made to identify nutritional gaps and challenges. Subsequently this could be translated into a nutritional educational and capacity development intervention.<sup>33</sup>

### **Development objective and expected impacts**

66. Turkey has experienced robust agricultural growth during the last three decades, emerging as an agro-industrial powerhouse with deep market penetration in the world's largest and arguably most demanding market; the EU. However, this growth has been spatially confined, with coastal areas and flat plains on the Anatolian plateau benefitting significantly from economies of scale and much improved connectivity, not least thanks to an aggressive roll-out of road infrastructure.

67. These developments have widened the gap between a growing coastal/plain region and a poor mountainous region with the latter characterised by economic stagnation, emigration and increased isolation, as both physical and social infrastructure crumble. Climate change is also accelerating with more extreme weather events negatively affecting both agricultural and livestock production, as well as eroding crucial rural infrastructure.

68. The URDP is the joint GoT and IFAD response to these significant challenges facing the mountainous rural poor as well as an attempt to seize the transformative opportunities available at this critical juncture in Turkey's history.

69. The overall goal of the URDP is to *enhance the prosperity and resilience of upland smallholder farmers*. This will be accomplished by strengthening their resilience and improving economic opportunities for the rural poor based on competitive farms and agribusinesses that are connected to and integrated into more profitable economic clusters, making sustainable use of Turkey's natural resources. The core strategy for achieving this is to build on and accentuate the treasured characteristics of rural production, ensuring that sustainable land and water use practices are promoted while also increasing the climate adaptive capacity of the numerous smallholders. Thus, the concept is premised not only on ensuring economic clustering into programme design for sustainability reasons, but also leverage these more non-tangible aspects to make the products more unique, through branding, certification and storytelling.

## **B. Outcomes and Components**

70. The strategy is geared at two core complementary outcomes. The first will aim at critical agribusiness development support through better natural resource management and higher added value for rural transformation, utilising an economic clustering approach. The second will aim at improving smallholders' access to financial services, leveraging private financial resources in the process. The two outcomes, their corresponding components and the synergies are described below.

### **Outcomes**

71. The two core outcomes of the URDP are chosen to achieve optimal impact in terms of addressing the core binding constraints facing poor smallholders in upland areas of Turkey. Combined the two outcomes will thus deliver more than the sum of their parts, by ensuring that a multiplicity of challenges are simultaneously addressed where and when needed. Moreover, the outcomes also reflect the

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<sup>33</sup> Budgetary allocations may be needed if available data and knowledge is found insufficient. This is subject to GoT approval.

areas where IFAD has a comparative advantage vis-à-vis other development partners, most notably in catalysing inclusive rural transformations for smallholders.

72. Most engagements are demand-driven, which implies that where farmers, micro and small enterprises supported under component 1 are in need of financial services, linking them up with the other component can and should be facilitated where so desired by the actors. Vice-versa, where farmers/enterprises benefitting from access to finance, are also requesting support to become more tightly integrated in relevant value chains, component 1 should positively consider including these. The outreach campaign will strengthen awareness of the menu of support that IFAD offers, thus enhancing synergies and coherence where relevant and appropriate to the beneficiaries, but not forcing them to accept bundling of various activities, of which only one may be demanded.

73. Operationally, each of the two outcomes have been translated into two concrete components, which are outlined below and described in detail in appendix 4 and 5.

## Components

### **Component 1: Clustering for resilient rural transformation**

74. The economic development cluster constitutes the entry point for the engagement aimed at addressing local challenges of the territory to develop the main value chains. This component will increase the volume of the production and trade of agricultural products within each economic development cluster (EDC) through individual investment and support to key economic infrastructure co-managed by the stakeholders. This will lead to increased profitability of upland farming and agribusinesses and hence improve the attractiveness for young farmers to remain in these areas. The component will engage in 40 economic development clusters (for the first 5-year phase).

75. Within each EDC, the intervention is planned in four stages to allow all stakeholders to fully understand their common and individual interests and respective roles (*see further details in Appendix 4*). These are:

(i) Stage I (9 to 12 months): social mobilisation (emergence of the multi-stakeholder platform (MSP) and visioning of a shared development process. The expected result is to produce strategic investment plans (SIP) owned by the local stakeholders;

(ii) Stage II (18 to 24 months): civil engineering (design and building of common economic infrastructure) while social mobilisation focuses on use and management of infrastructures. The expected results are the improvement of the infrastructure context (common and individual) and the improvement of technical (production) and soft skills (management of the platform, established governance mechanism);

(iii) Stage III (12 to 18 months): development of economically viable set-up to better access commercial outlets. The expected results are increased volumes of marketed agricultural products;

(iv) Stage IV (6 to 12 months): exit strategy activities and way forward with development partners. The expected results are the existence of robust linkages between EDC economic actors and development partners to pursue economic growth.

76. The component is subdivided into five subcomponents namely, i) the establishment of the multi-stakeholder platforms focusing on social mobilisation activities; ii) the building of cluster supporting economic infrastructure focusing on civil engineering activities; iii) the support to farmers skills and organisation focusing on stakeholders' training activities; iv) the support to targeted individual investment focusing on co-financing activities through cluster investment partnerships; and v) the regional branding and geographical indication focusing on studies on products and quality assessment activities.

77. This component will also deliver on cluster investment partnerships (CIPs) between URDP in which both private and public investments will be leveraged with URDP providing part of the investment finance as a grant. The CIP concept is based on the experience gained from other on-going IFAD projects in Turkey and is highly justified by the low level of net incomes of the upland community beneficiaries. Crowd-in effect has been observed in similar programmes, once both financial institu-

tions and investors have (i) an actual experience of the economic viability of the investment and ii) a robust financial guarantee set-up that does not just rely on investors' collaterals.

78. Where relevant climate adaptive challenges will be mainstreamed into the support. E.g. there will be focus on capacity development and adoption support in: sustainable land and water management practices to avoid soil erosion and loss of soil fertility and moisture retaining capacity; rangeland management; and management of the catchment areas of water infrastructures to secure the water source and avoid siltation decreasing the lifetime of the infrastructures and increasing maintenance costs

79. Component 1 will deliver stronger and more productive clusters of rural producers with especially smallholders, youth and women being targeted for improvements. Better organisation, improved infrastructure, stronger market integration, robust investment partnership between URDP and the clusters will increase both quantities and qualities of their produces, accelerating inclusive economic growth in the uplands.

### **Component 2: Inclusive rural finance**

80. This component intends to promote financial inclusion in the targeted areas thus expanding agricultural and agribusiness investment plans, consequently improving livelihoods and increasing employment opportunities for the rural youth, women, smallholder farmers and the focus group in general. To do so it intends to setup a rural credit guarantee facility that will reduce collateral requirements for new investment loans and a rural finance support facility that will improve the bankability of new investment loan proposals and will strengthen the ability of the poorest segments to graduate as business people who can undertake profitable rural initiatives. In the longer term, PFIs will improve their understanding of the rural sector and eventually develop agronomic risk assessment tools and mechanisms, thus eliminating the issue of collateral.

81. URDP's component of inclusive finance will address the financing needs of all three of its target groups responsively and comprehensively through its two subcomponents. Subcomponent 2.1 will establish a credit guarantee facility to support the development of rural MSMEs in the project areas, while subcomponent 2.2 will provide a rural finance support facility that will facilitate and improve the creditworthiness of all three target groups. Through the Rural Credit Guarantee Facility, URDP will cater mainly (but not exclusively) for the financing needs of "active households" and "transformation drivers" and through its cooperation with MFIs, it will engage "poor households" in viable commercial operations in order to improve their livelihoods.

82. URDP foresees a rural finance support network that will liaise with the banks, the cooperatives and the MFIs and enhance their seamless cooperation and multilateral capacity development with the target group. The Rural Finance Support Facility will be backing and facilitating the whole process from either the PFI/MFI's side or the beneficiaries' side. The network will be comprised of two regional rural finance / targeting experts (RFT) to cover the project's two geographical areas; six financial motivators (FMs) / members of the Farmer Support Teams (FSTs) who will promote the culture of healthy financial inclusion within their specific clusters and will assist in elevating the poorest segments of the target group to higher degree of financial robustness and; a monitoring expert to observe the operation of the RCGF.

83. Both the KGF and the PFIs indicated great interest in participating in such an arrangement and the demand for rural credit is constantly expanding, the former even contributing with EU 2.5m from own sources. 10 public and private banks already operate in the rural areas offering products specific to agriculture and agri-businesses ranging from large loans directed to agricultural corporations, to credit for SME and MSME development and even at micro level. The liquidity of the banks is more than sufficient to cover for the leverage allowed by the RCGF. Geographical proximity is not expected to be an issue. Most banks with an agricultural department already have branches in the target areas or mobile branches with dedicated loan officers. It is expected that through the RCGF this network will be extended and expanded to better service the uplands.<sup>34</sup> KGF has committed EUR 2.5 million

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<sup>34</sup> The establishment of the RCGF may necessitate legal and regulatory adjustments and its operationalisation may be consequently start in project year two.

84. During implementation, URDP will create awareness amongst beneficiaries on the available opportunities for responsible borrowing, its potential for business development and the means through which it can be accessible according to each farmer's financial status. URDP will organize relevant learning events to establish consensus among participants and initiate a spirit of cooperation between farmers. URDP will work with groupings, clusters and individual farmers to develop personal and communal action plans for individual and collective development to which they will assign benchmarks and milestones. Consecutively RFTs will work with selected beneficiaries from all the target groups to enhance the status of their financial literacy and start developing business plans.

85. The Agricultural Credit Cooperation (ACC) is the agency *par excellence* serving the lower strata of the rural areas, offering financial products more suitable to URDP's active households. The ACC currently does not belong to the KGF PFI network as it is not a bank hence, not eligible. ACC is making efforts to be included in the KGF's PFIs and its application is under process.

### C. Lessons learned and adherence to IFAD policies

86. As IFAD has extensive country experience and recently had a country programme evaluation this has provided the main basis for the learnings below. Other learnings include: (i) from other development partners (GoT, EU, and FAO.); and (ii) from IFAD's engagements in other upper MICs in East and Southeast Europe, in particular Albania, Montenegro, Bosnia and Herzegovina, Moldova, and Georgia and in other parts of the World, particularly in Niger and Uganda. The lessons have shaped the design of the URDP in terms of institutional setup, clustering modalities, implementation sequencing, infrastructure, financial inclusiveness, targeting in MICs and on mainstreaming environmental concerns, all detailed below. More information is provided in Appendices 3 and 12.

87. On the **institutional set up**, past experiences with GoT in general and MFAL/CPMU in particular have bolstered confidence in the integrity and effectiveness of using national systems and procedures that can both induce cost savings (e.g. reducing outsourcing to UNDP) and, more importantly, develop and retain capacity within MFAL/CPMU. Obviously this has been corroborated with lessons learnt from other development partners, most notably WB and EU, as well as GoT own assessments.

88. **On clustering**, a key learning is that the relative remoteness of uplands areas from main production areas pleads for a territorial approach for economic investment to better address the specificities of the upland areas. The involvement of economic actors is crucial to maintain focus on the improvement of the agricultural trade context to attract traders and district cooperatives to operate at a semi-wholesale level in these areas.

89. **On implementation sequencing**, local authorities and economic stakeholders must first have a common vision of what could be a market oriented dynamic cluster to prioritise possible investments and to understand how to be involved in their use and sustainable management. UDRP will promote a four stage intervention in each EDC with an exit strategy period during which the EDCs will be in a position to brand their advantages in the revived value chains.

90. **On economic infrastructure**, a key learning is that the demand is very high in term of water management investments to access irrigation and to improve marketing. The high demand for milk cold storage units, and in a minor way for nut storage and processing, provide opportunities for provincial cooperatives co-financing. Semi-wholesale markets provide the adequate venue where producers can cluster their production and attract traders. The rehabilitation of rural roads linking lowlands / urban centres to upland EDCs will open up these semi-wholesale markets to urban outlets. In the feasibility and design phases, identified roads will be subject to environmental and social screening and associated studies (if required) as an integral part of the feasibility study.

91. **On financial inclusion**, a key learning is that the collateral requirements of banks and saving & credit cooperatives, act as a serious break on creating inclusive rural financial services in rural areas. While some of the underlying conditions have improved, the practice of asking for excessive collateral of more than twice the loan amount or attached to urban real estate, has not. Moreover, the banks lack a specialised incentive and knowledge of the potential rural clientele to extend credit guarantees or to tailor relevant products to upland areas.

92. **In terms of poverty targeting, experience suggests that there is a risk that the most resourceful rural entrepreneurs may capture most of the benefits**, as they are often best placed to articulate demand and frame it in the formats that are required. This can have the unintended consequence of excluding the economically active poor that could potentially graduate out of poverty and become transformation catalysers in their area; which means that there is need to balance a demand driven approach with appropriate procedures and targeting criteria. Second, the key characteristic of IFAD financed investments in rural cluster-supportive infrastructure in the two regions is the targeting of primarily small agro-enterprises, and the mobilization of resources from these entities for co-financing – an approach which has been generally successful in ensuring proper use and sustainability of the completed infrastructure. To maximize the impact of small-scale rural infrastructure, it is essential that they are closely synchronised with other project interventions to achieve the desired complementarity wherever relevant, that maintenance arrangements of infrastructure are defined, and that emphasis is put on cost-benefit analyses and environmental assessment. IFAD experience in comparable environments suggests that: (i) funding support should differ according to the poverty level of the direct beneficiaries, to mitigate potential elite-capture; (ii) such a differentiated approach is possible, based on a robust understanding of how the poor will benefit from the project; and (iii) consideration should be given to poverty and gender impact in selecting infrastructure. RPMUs should be sensitized and trained from the start on IFAD targeting strategies and inclusion of the poorest rural households.

93. **Lessons on income increases, EIRR and NPV:** The 2016 Country Programme Evaluation (CPE) for Turkey demonstrated that IFAD interventions have contributed to increased incomes for beneficiaries with impact on income and assets rated as “satisfactory”. The CPE stated that projects were highly effective in improving the incomes and quality of life of the rural poor through rural infrastructure, which was catalyzed by improved productivity and commercialization. On EIRR and NPV, there is unfortunately no project comparable to the URDP. It is important to note that the sensitivity analysis, and in particular the NPV, shows that the project is particularly sensitive to decrease in benefits (i.e. a 50% decrease in benefits leading to an NPV of \$33.8 million from \$98.8 million which is approximately 65% less . This shows that the overall project viability is significantly sensitive to the decrease in benefits.<sup>35</sup>

#### **Adherence to IFAD policies**

94. The URDP is fully aligned with the IFAD’s strategic framework 2016-2025. The programme will aim at transforming upland smallholders to become commercially competitive and more resilient. This will be accomplished by strengthening the resilience and improving economic opportunities for the rural poor based on competitive farms and agribusinesses that are connected to and integrated into more profitable value chains, making sustainable use of the two regions’ unique natural resources. Thus, URDP will contribute to all objectives of the 2016-2025 framework, namely: (i) increase poor rural people’s productive capacities; (ii) increase poor rural people’s benefits from market participation; and (iii) strengthen environmental sustainability and climate resilience of poor rural peoples economic activities.

95. The URDP will also translate *IFAD’s private-sector strategy* into actions. The strategy states that companies that IFAD will be working with cannot be selected in advance and will depend on the context, implementation opportunities, and the interest of farmers and the companies themselves. It also underlines that the support or partnership should be driven first and foremost by the interests and needs of the smallholders. In that perspective, several small and medium-sized private sector actors were consulted during URDP design, as well as several farmers already engaged in a commercial partnership with these private actors. Whenever possible and requested by smallholders, and if a clear win-win situation can be achieved, the URDP will facilitate linkages and contract farming oppor-

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<sup>35</sup> The NPV can give a better overview of the benefits generated by a project as, by definition, the NPV is the sum that results when the expected costs of the investment are discounted and deducted from the discounted value of the expected benefits (IFAD guidelines volume I, page 12) whereas the ERR would only be represent the discount rate that produces a zero NPV.

tunities with the private sector using the MSP approach. Lead farmers and agro-enterprises will also be involved in project's implementation, as they can serve as champions/ models to demonstrate the viability of new approaches to increase rural resilience and provide potential development pathways for the poor. In doing so, URDP will assist in improving smallholders access to inputs, services and know-how, as fully in line with the IFAD strategy.<sup>36</sup>

96. The URDP design is also fully in accordance with IFAD's *targeting policy* as detailed in 'Reaching the Rural Poor' (2008). The target groups have been profiled and beneficiary groups for proposed project activities identified. The completed targeting checklist is included as an annex to Appendix 2. On *gender*, URDP is guided by the three succinct precepts set out in the *IFAD Policy on gender equality and women's empowerment* (2012): to promote economic empowerment to enable rural women and men to participate in and benefit from profitable economic activities; enable women and men to have equal voice and influence in rural institutions and organizations; and achieve a more equitable balance in workloads and in the sharing of economic and social benefits between women and men. Finally URDP's environmental and social categorisation is 'B' and climate risk classification is 'moderate'.

### III. Programme implementation

#### A. Approach

97. URDP's delivery approach distinguishes that the two components are mutually reinforcing, with a focus on economic development clusters and access to finance and they each serve a wider purpose in support of the desired rural transformation. Consequently, while the programme will actively seek to fully develop operational synergies between the two components where demanded and relevant, access to guaranteed financing through KGF may well go beyond the EDCs when an initiative (with clear business plans) clearly demonstrate that it will indirectly benefit the EDC actors in the long run – or could be an external actor influencing envisaged local transformation. The crafting of both public and private investment packages will be differentiated and flexible premised on the choice of MSP actors and the commercial benefits to be accrued.

#### **Component 1: Promotion of Upland Economic Development Clusters (Component 1)**

499. A key ambition is to promote business development among the core economic stakeholders' partners in the economic development clusters. URDP will contribute to this outcome in several ways, including: (i) development and establishment of institutionalised systems (through clusters, cooperatives, associations and VC integration) for promotion of commercial, profitable and climate adaptive agricultural practices, with particular focus on rural poor (either as labour or smallholders); and (ii) support to and expansion of, local public private partnership in rural resilient infrastructure.

500. The transformative impact of URDP will in part be catalysed by investments made by individuals, formal groups and government authorities at various levels. URDP will support such investments provided they can demonstrate clear contribution to the cluster development and have the required inclusiveness. However, the level of URDP support to these investment partnerships has been the subject of protracted consultations with especially MFAL, with the latter maintaining the importance to align with other IFAD engagements as well as the need to factor in that most smallholders will have to pay VAT (18%) on their investments, raising the de-facto beneficiary contribution significantly. Against this background it has been agreed to adjust the ratios according to the following principles:

98. (i) *Individual and informal groups cluster investments* will rely on sound business plans whose financing plan will be based on a shared financing between the investor, mobilising 30% of the investment and URDP providing the 70% through a cluster investment partnership (CIP); (ii) *Youth start-up* packages will also respect the 30-70 ratio but with the possibility for the youth to make their contribution in cash or kind depending on their business plan; (iii) *Pastoralists'* livelihoods support will be provided with URDP contribution up to 80 % (purchase of the equipment) complemented by 20%

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<sup>36</sup> IFAD: Deepening IFAD's engagement with the private sector, 2012, p 17.

of the beneficiaries' contribution in kind; (iv) *Producers organisations* that will invest into privately shared economic infrastructure, will contribute 25% while URDP shall complement the financing with up to 75%; (v) *Public* economic infrastructure is 100% supported by URDP.

99. The outreach activities will both ensure appropriate targeting by reaching a broad audience of potential beneficiaries, as well as ensuring better synergies between them, as these activities will inform about all the offers that URDP has available. However, synergies will only materialise where demanded and relevant, not by forcing beneficiaries to accept bundles of engagements.

100. The component will adopt an inclusive approach driven by the primary economic actors in the clusters. The core of the approach is therefore results-driven, brokering and facilitation among primary cluster actors supported by the use of targeted investments to accelerate the removal of bottlenecks in the clusters' development - either through investment incentives to trigger private investment or through more direct public-led investment in critical "public goods" and economic infrastructure essential to unlocking the clusters' potential. The critical skills of the programme implementing team are as trusted development brokers able to build trust and successful trading relationships between smallholders, agri-business and local authorities. To be successful, this approach will be built on the following principles:

- Only commercially viable products and investments should be supported in the EDC. This is essential for supported products to be able to sustain long-term competitiveness and genuine self-sufficiency after the programme without subsidies.
- Successful EDCs are living territories that have to be sustained by those involved and cannot be built according to a programme design. Investment priorities should be driven by the economic actors, gathered in a multi-stakeholder platform, who are the ones who have to make the investments a success and carry the risk.
- EDCs can cover different administrative boundaries; all concerned local authorities have to be involved since the very beginning and buy-in the approach. As custodian of common goods (public economic infrastructure), they will be part of the development of local public private partnerships to ensure the most efficient and effective use and viable management of these infrastructure.
- From the start, the programme should promote the development of the supporting service and input supply that are a vital part of sustaining a competitive industry alongside the primary VC (farmers, agricultural cooperatives, agri-businesses).
- Investment incentives (e.g. cluster investment partnerships) should follow the targeted quotas to address the lack of initial capital to take risk when investing into new but viable business models (new technologies, varieties, services) that are expected to be replicable by others (using mainstream financing) once seen to be a commercial success.
- To attract IFAD-financing support from the programme, EDCs must have credible potential for inclusive growth, meaning that significant numbers of active but initially poorer farmers as well as youth (Category 1) can also earn their fair share of profits alongside other farmers and agribusinesses.
- Be flexible and responsive to the varying character, size, state of development and emerging opportunities and issues in each of the different economic development clusters.

101. Technical assistance will be sought to carry out assessments (collecting data and developing field-based evidence, case studies) and product development of the EDC approach (for policy briefs, manual, other operational tools). The cluster investment partnerships' mechanism and products therein will be monitored and good practices documented to filter what works best for smallholders in the upland areas. This good practice will inform GoT and MFAL in particular on how to better utilise agricultural subsidies for smallholder farmers. Subsequently, relevant learning routes and selected study tours, workshops will be included within regions and between the two regions to promote sharing of good practices. In addition, it will learn from best practice elsewhere, but not be limited by this, and refine/adapt approaches to work well in Turkish uplands. Products relevant to other countries in the



region will be promoted through South-South cooperation workshops and learning routes in partnership with TIKA through grant resources.

102. The project will also develop capacity (in individuals, local organisations, institutions, networks, systems) so that the approaches can be continued after the programme.

### **Component 2: Inclusive rural finance**

103. This component intends to promote financial inclusion in the targeted areas thus expanding agricultural and agribusiness investment plans, consequently improving livelihoods and increasing employment opportunities for the rural youth, women, smallholder farmers and the focus group in general. To do so it intends to setup a rural credit guarantee facility that will reduce collateral requirements for new investment loans and a rural finance support facility that will improve the bankability of new investment loan proposals and will strengthen the ability of the poorest segments to graduate as business people who can undertake profitable rural initiatives. In the longer term PFIs will improve their understanding of the rural sector and eventually develop agronomic risk assessment tools and mechanisms, thus eliminating the issue of collateral.

104. URDP's component of inclusive finance will address the financing needs of all three of its target categories responsively and comprehensively through its two subcomponents. Subcomponent 1 will establish a credit guarantee facility to support the development of rural MSMEs in the project areas, while subcomponent 2 will provide a rural finance support facility that will facilitate and improve the creditworthiness of all three target groups. Through the Rural Credit Guarantee Facility, URDP will cater mainly (but not exclusively) the financing needs of "active households" and "transformation drivers" and through its cooperation with MFIs it will engage "poor households" in viable commercial operations in order to improve their livelihoods. The Rural Finance Support Facility will be backing and facilitating the whole process from either the PFI/MFI's side or the beneficiaries' side.

105. The introduction of the Rural Credit Guarantee Facility (RCGF) will give incentive and security to the PFIs to provide credit to interested farmers or rural enterprises within the target group without collaterals. The RCFG will: (i) improve financial inclusion among the target; (ii) encourage PFIs to forge stronger links with the upland agricultural and rural sector; (iii) increase PFIs capacity to adopt agronomic risk assessment; and (iii) eventually induce PFIs to develop new financial products and services for the upland rural communities.

106. The RCGF will operate under the auspices of the existing and operational nation-wide KGF and with modus operandi, same as the portfolio guarantee system adopted for Treasury supported guarantees. The Treasury pledged an amount of TRY 25 billion to KGF as a counter guarantee that will leverage TRY 250 billion from the banks to boost the sluggish economy and support SME development. Similarly, URDP earmarks an amount of EUR 5 million for the RCGF. This amount will be entrusted to KGF (in consecutive tranches of EUR 1 million) by MoFAL (the implementing agency) as a guarantee that is expected to raise up to EUR 50 million in loans from the banks, only this time targeting specific geographic areas and specific user profiles. After presenting the RCGF concept to KGF, the latter has decided to complement IFAD resources with own funding of EUR 2.5 million (TRY 10 million), a strong indication of the faith in the RCGF and interest in boosting the outreach, by both private and public Turkish stakeholders.

107. This is an optimal arrangement for the RCGF that benefits from a) professional management of the guarantee from the KGF which is successfully operating for more than 20 years with independent management and specialized staff, b) an operational rural risk mitigation and management system adopted by the banks (TARDES or own systems); c) already existing and well-functioning reporting systems; d) tight supervision and control from Treasury and the regulatory authorities; e) the sustainable operation of KGF that can eventually be transmitted to RCGF.

108. The establishment of a strong partnership between the RCGF, the target groups and the PFIs (banks, ACC, MFIs etc.) is a critical success factor for this project. URDP foresees a rural finance support network (RFSN, subcomponent 2.2.) that will liaise with the banks, the cooperatives and the MFIs and enhance their seamless cooperation and multilateral capacity building with the target group.

109. The establishment of the RCGF may necessitate minor legal and regulatory adjustments. Hence the commencement of this component may be postponed by perhaps one to two years. This is also reflected in the procurement plan and economic/financial analyses.

## **B. Organizational framework**

110. The Undersecretariat of Treasury is the official representative of the Borrower (GoT). The organisational chart in figure 16 (appendix 5) presents an overview of the main governance arrangements. Overall responsibility for URDP management and implementation will rest with MFAL & GDAR and it is responsible for providing overall policy guidance and oversight.

111. Day-to-day management and implementation of the programme will rest with the existing CPMU, which has established a robust and well-recognised track record of competent and diligent programme management. However, with the CPMU already stretched in terms of capacity to undertake additional tasks, it will be important to expand the outsourcing of non-core tasks to capable service providers, such as research centres, academia, agro-service companies, NGOs and consultancies. CPMU already has experience in managing such outsourcing relations, but additional capacity development for contract management in relation to especially civil works may be considered.

112. However, core tasks, including procurement and financial management (which is integral to programme execution and integrity) will increasingly be done by the CPMU using more aligned and nationally harmonised procedures. This may entail expanding the CPMU with staffing as necessary.

113. The principal functions of the CPMU will be to carry out the overall programming and budgeting of URDP activities, take the lead in implementation - in cooperation with RPMU, FSTs services providers, infrastructure contractors, beneficiary institutions, such as farmer-based organisations, PFIs - and to monitor and document programme progress.

114. The two regional programme management units will be responsible for overseeing and guiding implementation in the (initially) six provinces and have staff based in Kastamonu and Adana respectively. There will be (six, initially) farmers' support teams, one in each province and under the PDAs. More details regarding the component specific governance modalities are presented in appendix 5, which also contains terms of references for staff positions.

115. Organisationally, the RCGF will rest on the modalities of the existing guarantee system that was established with the Cabinet Decision of 10 March 2017. Treasury and KGF have signed a protocol of cooperation. Treasury pledges amounts of a counter guarantee to KGF which in turn offers quotas to the PFIs as per the selection criteria. In addition KGF will invest EUR 2.5 million in the RCGF from own sources, demonstrating robust commitment.

116. For both components, implementation arrangements are summarized in appendix 5 will be further detailed in the programme implementation manual (PIM).

## **C. Planning, M&E, learning and knowledge management**

117. This section contains summarised information on how URDP will undertake planning, M&E, learning and knowledge management. More detailed information can be found in Annex 6 on M&E and knowledge management.

### **Planning**

118. The main planning tool for URDP will be the Annual Work Plan and Budget (AWPB) which will be prepared using a participatory bottom-up approach within the economic clusters. Once the priorities have been set at the cluster level and activities defined, the AWPB will be compiled for each province and the 2 RPMUs will combine the drafted AWPBs for their respective regions and submit to the CPMU. The CPMU will consolidate and streamline the two AWPBs and submit it to Strategic Planning Department of MFAL for inclusion in the MFAL budget. The draft AWPB will be sent to IFAD for review and no-objection 60 days prior to start of each year of implementation.

119. The AWPB will guide implementation of activities in the clusters and represent benchmarks against which implementation progress will be measured annually. The AWPB will be in line with the logical framework.

120. The content of the AWPB will include; the annual planning process, programme strategy and focus for the year, key constraints and actions needed, implementation approach, components activities and expected targets, consolidated annual budget by financier, categories of expenditure by component/sub-component and agencies responsible for delivery of activities. In addition, it will include appendixes on the logical framework, organization chart, 18-month procurement plan and staff development plan. Detailed guidelines on the AWPB preparation process will be included in the PIM.

### **Monitoring and evaluation**

121. The results-based approach will be adopted through the M&E system. This will be through accounting for progress against AWPB targets; and periodic assessments of movement towards achievement of beneficiary impact. While the key responsibilities of the M&E system will rely on the two RPMU M&E assistants, all other implementation agencies at provincial, district and cluster level will play important roles in collecting and analysing data to assess outcomes and impact of programme activities. The overall coordination responsibility will be on the CPMU M&E specialist.

122. The new Results and Impact Management System (RIMS) will be incorporated within the M&E system along with the Annual Outcome Survey tool which would allow for effective monitoring of the different programme indicators.

123. The program will adopt the geo-reference methodology developed in NEN to support implementation and M&E processes. The use of the geo-referencing methodology will be included in the PIM and relevant activities will be embedded in the M&E plan of the program. Shock resilience will be measured using IFAD multi-dimensional poverty assessment tool (also known as MPAT).

124. Key M&E activities will comprise the programme implementation manual and the baseline survey at design stage, the AWPB, quarterly progress reporting of activity and output targets and achievements, mid-term review, and the completion report along with the programme completion survey. The M&E activities will take into consideration the following: i) data will be disaggregated by sex, age category, province, and targeting groups; ii) progress reporting will be in comparison with appraisal targets and the AWPB; iii) monthly meeting at the CPMU with the presence of RPMU officers to discuss implementation progress versus targets; iv) regular field visits from M&E specialist/assistants and component officers; v) documenting of stories from the field for different component beneficiaries; and vi) reporting on lessons learned and best practices and working on scaling-up

125. The baseline survey will provide information that will fit into the M&E system basically baseline data for the programme M&E indicators. The survey will cover both beneficiary villages as well as control villages with a representative sample size. Given the importance of the baseline survey and taking into consideration previous experience, the mission recommends that the baseline survey is undertaken during the design process and is completed before the end of 2017. The Terms of Reference for the survey has been prepared by the mission and will be shared with the MFAL.

### **Learning and knowledge management**

126. **Learning.** Building on lessons from IFAD country programme, special attention will be put on making sure: (i) programme launch is effective for visibility; (ii) early recruitment of key staff; (iii) knowledge management indicators are included in the M&E system; (iv) of setting up solid information management systems (e.g. electronic archives); (v) clarifying roles and responsibilities in knowledge management in the programme management and implementation teams; (vi) facilitating internal programme learning and cross-project exchanges; (vii) organising exchanges with other projects and agencies (Turkish International Cooperation Agency (TIKA) through SSTC as highlighted below), organising targeted workshops, and other activities to disseminate results and attract the interest of government and development partners for improvement of their practices, replication and scaling up of tested and documented innovations.

127. **Innovation and scaling up.** The economic development cluster approach and the establishment of MSPs is deemed by practitioners on the ground as a new way of engaging rural poor particularly in the mountainous regions. The implementation of this approach will be monitored closely and when tested and proven to be successful, an assessment will be done and a knowledge product (for example a how to do note) will be developed for sharing and possible to promote scaling up of relevant aspects in other provinces.

128. **Knowledge management.** Knowledge management will play a central role in the programme. URDP has the potential to bring immense field experience into the policy discourse on clustering, rural youth and women agribusiness development in Turkey. Both IFAD and GoT perceive the URDP as considerable investment in learning about how to counter increasing isolation, depopulation and inequality between rural and urban areas. The learnings and knowledge generated by this programme will consequently contribute significantly to the design and implementation of youth empowering agricultural interventions within the agriculture sector as a whole with support from the GoT. The MSPs present a powerful mechanism through which knowledge sharing will happen to improve information flow among diverse stakeholders.

129. Therefore, knowledge generation aimed at influencing policy and replication of the EDC approach by GoT and MSP actors will be the main scaling up pathway. The programme will help GoT to generate knowledge on the impact of cluster investment partnerships and investments and inform successive government programme pipeline development and best use of investments to benefit rural upland farmers. Additionally, grant funding is included in the programme which will be used for knowledge sharing of the tested *economic cluster approach* for poverty reduction in mountainous ecosystems in similar countries through south-south cooperation<sup>37</sup>. The ongoing successful cooperation between IFAD and TIKA will be the pillar and the driver for the knowledge sharing within the framework of south-south cooperation.

## D. Financial management, procurement and governance

130. **Governance and Financial Management Risks.** The country risk is rated as Medium. Transparency International's Corruption Perception Index ranked Turkey 75 of 176 countries in 2016 (down from 53 of 177 in 2013) with a score of 41 (down from 50 in 2013). The WB's Public Financial Performance Benchmarking Study 2009 and the WB Governance Diagnostic Assessment 2014 for Turkey shows major transformation in the public sector management as a result of the reform initiatives, implementation challenges still remain and there are still areas where improvement is required.

131. **Financial Management.** In recent years, IFAD's country programme that are implemented by the MFAL in Turkey consisted of four projects, the recently closed SEDP and DBSDP, and the ongoing AKADP and GTWDP. In the previous projects, the Financial Management and Procurement have been outsourced to UNDP and the financial management for DBSDP and AKADP are rated satisfactory and the rating of GTWDP will be determined during the first supervision mission which will take place in the near future. However, after extensive discussions, the MFAL decided that financial management and procurement for URDP will be carried out by the Ministry with the advantages of decrease in programme management cost, increased ownership of the programme and increased capacity of the Ministry in managing donor funded projects.

132. To determine the programme specific control risks, a Financial Management (FM) risk assessment of the proposed programme and its fiduciary arrangements has been conducted. It shows that the programme financial management arrangements and internal control systems will satisfy IFAD's minimum requirements to provide accurate and timely information on the progress of programme implementation and also guarantee the separation of functions through several levels of independent controls. It rated the residual financial management risk as Low, after the implementation of appropriate risk mitigation measures to ensure accountability of funds.

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<sup>37</sup> As part of its Strategic Framework 2016-2025, IFAD plans to strengthen its work in the area of SSTC, seeing it as an integral part of its business model and of its country programming process.

133. Overall the FM risk is rated as Medium improving to Low after conditions for disbursement and proposed mitigation measures have been met. A Summary of actions needed to mitigate FM risks is shown in Appendix 7.2 Table.

134. **Implementation arrangements.** The programme will be implemented by GDAR of MFAL, wherein the CPMU will be based, while regional programme coordination units (RPCU) will be based in Adana and Kastamonu and there will be a provincial support team in each of the six initial provinces, all housed in the PDAs.

135. **Financial Management Organization and staffing.** The CPMU will have overall responsibility for Financial Management of the Programme and be supported by RPCUs and PSTs. The CPMU FM team will include a Finance Manager and an Accountant while at the RPCU level, a Fiduciary officer will be responsible for both financial and procurement functions. The FM team will be recruited competitively, and they should have experience of donor funded projects. IFAD will provide No objection on the process and the selected candidates.

136. **Budgeting.** Budgets, facilitated from the beneficiary level, will include all activities for the year, segregated by quarter and by financier. Consolidation and preparation of the AWPB for approval will be under the purview of the CPMU. To facilitate transparency in the budgeting, and facilitate implementation and monitoring of the budgeted activities, approved AWPBs will be accessible to all programme staff on a MFAL Strategic Planning System.

137. **Disbursement arrangements and Flow of Funds.** Two Designated Accounts will be opened for the programme at the Central Bank of Turkey in EUR for IFAD Loan and IFAD Grant separately, with an authorized allocation of approximately 6 months of programme expenditure; replenishments to the DA will use the Imprest modality. Withdrawal applications (WA) will be prepared by the CPMU every 3 months or when 30% of the advance has been expended, whichever occurs earlier. Details of the disbursement arrangements, including the amounts advanced to the DA, will be stated in the Letter to the Borrower/ Recipient. Appendix 7.1 show the flow of funds in a diagram.

138. **First disbursement conditions.** The following will be designated as precedent to disbursement of funds: (i) opening of the designated account; and (iii) IFAD no objection on a draft Programme Implementation Manual (including the financial, procurement and administrative procedures manual); (iv) recruitment of key programme staff and (v). procurement and installation of a reliable accounting software system which will be used by CPMU of MFAL for URDP and future IFAD. funded projects.

139. **Specific disbursement conditions for Credit Guarantee Fund.** No funds will be transferred to the guarantee funds before the following conditions have been fulfilled: (i) the eligibility criteria for the Credit Guarantee Fund have been approved by IFAD; (ii) the sub-agreement between MOFL and the entity managing the Guarantee Fund has been fully formalised; and (iii) the modalities of the guarantee fund have been formalised and received IFAD No objection.

140. **Start-up costs.** withdrawals from the IFAD financing in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an amount of EUR 390,000 equivalent. These funds are intended to cover the recruitment of CPMU key personnel and their salaries for four months (EUR 40,000); base-line survey (EUR 50,000); and purchase of basic equipment such as computers, photocopier and printers and installation of an accounting software system (EUR 300,000).

141. **Accounting and financial reporting arrangements.** The Programme will adopt accounting procedures and policies consistent with international accounting standards (cash basis) and Government requirements. Accounts and financial reporting will be managed at the CPMU, which will also be responsible for assurance that funds have been used for the purposes intended. The programme will use Government of Turkey Public Expenditures System developed by MOF to perform all payments from Government Counterpart Contribution, IFAD Loan and IFAD Grant.

142. CPMU will acquire and install an accounting software designed (or customizable) for programme accounting that allow for (i) double-entry accounting; (ii) recording and reporting of transactions by component, category, source of fund, AWPB activity, province and district; (iii) budget monitoring; (iv) automated production of SOE and withdrawal applications; (v) automated bank reconciliations; (vi) contract management and monitoring of financial commitments; and (vii) production of

the required financial reports and statements. For selection of software, software used by WB and other donor projects and developed in Turkey will be evaluated in addition to internationally available software specifically developed for projects. IFAD No Objection will be required for the selection of the software to ensure compliance with IFAD requirements.

143. The CPMU will prepare monthly financial reports including analysis of disbursement rates by expense category, AWPB financial execution by subcomponent (budget vs. actual for the month and cumulatively), cash position and forecast, implementing partners' financial situation, procurement plan execution and any salient administrative issues. Interim unaudited financial reports (IFR) will be submitted to IFAD within 45 days of the end of each quarter. Unaudited annual financial statements will be produced by the CPMU and submitted to both IFAD and the external auditors within 2 months following each year-end.

144. **Counterpart contributions.** Counterpart contributions from Government of Turkey will be applied to meet eligible expenditures under different categories and components. These will flow through single Treasury/MoF code to CPMU in advance, every year.

145. **Internal controls and internal audit.** A Programme Implementation Manual is a disbursement conditionality. During the quarter one of programme implementation, CPMU Finance Manager and Accountant will undertake IFAD e-learning training on IFAD financial management and fiduciary controls. A Complaints handling system for Programme communities will be prepared and implemented according to the PIM and monitored by the CPMU.

146. In the first year of the programme, the Internal Audit Department (IAD) will provide guidance to the CPMU in the development of PIM, Control environment and control procedures. IAD will review implementation of the internal controls around MTR and also around the end of the programme and share its reports with IFAD. Involvement of Internal Audit Department to be ensured through stipulation in the Financing Agreement.

147. **Audit Arrangements.** Annual Programme financial statements will be audited by the Treasury Controller that currently carries all WB and IFAD projects external audits, in accordance with International Standards on Auditing (ISA) under a TOR cleared by IFAD. The Credit Guarantee Fund will be audited as part of the annual audit by the external auditor.

148. **Governance.** Whilst the enforcement of good governance is the primary responsibility of the Government, all stakeholders of the programme should be aware that IFAD applies a zero tolerance policy towards fraudulent, corrupt, collusive or coercive actions in projects financed through its loans and grants. The dissemination of IFAD's anti-corruption policy<sup>38</sup> amongst programme staff and stakeholders is expected to reinforce good practices. Additionally, in accordance with IFAD guidelines, procurement for goods, works and services financed from resources funded or administered by IFAD will require bidding documents and contracts to include a provision requiring suppliers, contractors and consultants to (i) ensure compliance with IFAD's anticorruption policy and (ii) allow IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited, if deemed necessary. Lastly, the programme will promote good governance through the involvement of communities and beneficiaries in (i) the preparation of the annual work plans and budgets; (ii) the procurement process (at community level); and (iii) the monitoring and evaluation of programme activities. Appendix 7 provides more detail on financial management and disbursement arrangements.

149. **A Grant Implementation Manual** will be prepared to facilitate their utilization and monitoring of the cluster investment partnerships. The manual will describe simplified and clear procedures and any additional safeguards required to meet IFAD's fiduciary & procurement responsibilities. Previous IFAD projects with matching grant elements, the manuals of which will be used as guidance in the preparation of the cluster investment partnership under URDP.

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<sup>38</sup> IFAD's anticorruption policy is available on the IFAD website at [www.ifad.org/governance/anticorruption/index.htm](http://www.ifad.org/governance/anticorruption/index.htm). The IFAD website also provides instructions on how to report any alleged wrongdoing to the Office of Audit and Oversight (<http://www.ifad.org/governance/anticorruption/how.htm>).

## Procurement

150. **MFAL/DGAR procurement capacity assessment.** During the programme design mission, IFAD undertook a comprehensive assessment of: (i) the degree of practical implementation of the Turkish public procurement framework, and (ii) the procurement capacity of the programme implementing agency [the General Directorate of Agrarian Reform (GDAR) at the Ministry of Food Agriculture and Livestock (MFAL) located in Ankara]. IFAD met with the World Bank (WB), UNDP and reviewed recent reports and assessments of the European Bank for Reconstruction and Development (EBRD) and OECD within the framework of their work in Turkey in the procurement domain.

151. **Main findings of the procurement capacity assessment:** The existing legal framework for public procurement in Turkey is currently governed by: 1) the Public Procurement Law (PPL) No: 4734 that establishes the principles and procedures to be applied in any procurement held by public authorities and institutions governed by public law, under public control or using public funds and 2) the Public Contracts Law No: 4735 that sets out the procedures and process for public procurement contracts. The overriding principles of the legislation are: i) transparency; ii) competition; iii) equal treatment; iv) reliability; v) confidentiality; vi) public supervision; vii) appropriate and viii) prompt fulfillment of needs; and ix) efficient use of resources. There have been more than 30 amendments since the enactment of the legislation in 2002 (based on the UNCITRAL law). The objective of these amendments was to address implementation problems and to align the framework with the EU Directives. The Public Procurement Authority (PPA) is the main regulatory authority. It provides sufficient regulatory, advisory and operational support to the contracting authorities. An e-procurement platform (EKAP) was launched in the PPA in 2010. It is an important tool to improve the completion and transparency and to reduce costs.

152. **Donors and development partners' overall appreciation of the current status of public procurement in Turkey:** The existing legal framework for public procurement in Turkey is assessed to be broadly in compliance with international standards. In fact, according to an assessment of Public Procurement laws and practices in EBRD region that was carried out in 2011, the public procurement system in Turkey-both in terms of: i) national public procurement legal framework and regulatory institutions performance and ii) procurement practices- was assessed to be highly compliant with the EBRD benchmark in the Balkan countries and Turkey sub-region.

153. **GDAR Capacity assessment:** MFAL/GDAR has proven capacity to implement eight successful IFAD-funded projects. For the implementation of the latest three projects, GDAR has outsourced procurement and financial management to UNDP through a General Service Agreement. UNDP has been in charge of dealing with flow of funds arrangements, recruitment of Project Management Unit (PMU) support staff, contracting of technical assistance, and assistance in procurement of goods, civil works and services. While the outsourcing of the fiduciary function has resulted in a good performance of the projects in terms of implementation and fiduciary management, this has not contributed to the establishment of a fiduciary and Monitoring & Evaluation capacity at the level of GDAR. To help the GDAR build and sustain internal capacity, it is not foreseen to *totally* outsource the fiduciary function. This is primarily due to: 1) the increased fiduciary and M&E capacity in MFAL as the outcome of the increasingly effective involvement of GDAR staff in the implementation of IFAD-funded projects, and 2) the high performance of the country procurement and financial systems as assessed by International Financial Institutions working in Turkey (i.e. the World Bank, OECD and EBRD). Nevertheless, if GDAR would need specific technical assistance for the selection of support personnel (namely procurement, Financial Management and Mentoring and Evaluation specialists) and for the procurement of small scale contracts (e.g. operating furniture), GDAR might take advantage of the exemption contained in Article 3 of the Law No.4734 regarding the Goods, services or works that involve foreign financing pursuant to international agreements where the financing agreement states that different tender procedures and principles apply. *Overall*, the capacity assessment has determined that the Turkish public procurement system is deemed to be consistent with the IFAD's procurement guidelines, in particular, and with the International donor community requirements, in general. Hence, the national procurement system will be used to undertake the programme-funded procurement activities subject to the implementation of the risk mitigation plan detailed in the appendix 8.

## **E. Arrangements for Procurement**

154. The CPMU Procurement Specialist will oversee and carry out all URDP procurement activities in coordination with specialized and technical units of MFAL. At the provincial level (PDA), procurement would be limited to small works and locally available service providers such as for transport, subject to close supervision by the Regional Programme Coordination Unit (RPCU) fiduciary officer. As required by the PPL, bidding documents will be submitted by the PDA to the GDAR for approval. All other procurement identified for National Bidding and mainly for Technical Assistance (TA), will be carried out by the CPMU at the Central level. The CPMU will also provide the necessary technical support in preparation of technical specifications, bills of quantities and terms of reference to the RPCU and the PDAs as required. The PPMU, under the oversight of the regional fiduciary officer, would carry out the procurement of some works and small contracts of locally available goods and services. While PPMU staff are knowledgeable on national procurement procedures that would be used under URDP, they would need to be trained on applicable IFAD procedures and guidelines to get acquainted with them.

## **F. Supervision**

155. Supervision of URDP will be carried out directly by IFAD as an on-going process of implementation support. It is therefore envisaged that one supervision mission and one follow-up mission will be undertaken every year as per current IFAD practice. Implementation support will focus on planning, gender and targeting, procurement, financial management, M&E, partnerships, the integration of project activities within the evolving governance framework. All such support will be a continuous process with frequent communication and engagement with the MFAL, the CPMU and other relevant stakeholders.

156. The first implementation support mission would take place soon after project's start-up. The frequency and composition of subsequent supervision and implementation support missions would be determined based on implementation requirements or requests by MFAL.

157. The IFAD country programme manager and her/his team will maintain oversight of the supervision process with the assistance of selected specialist consultants and members of the Country Programme Management Team (CPMT). In year four, there will be a Mid-term Review Mission that assesses progress and gives guidance for the remaining programme implementation period. In year eight, a Programme Completion Review will be undertaken. All missions will submit their findings to a wrap-up meeting chaired by the MFAL.

## **G. Risk identification and mitigation**

158. At the macro level, governance and political commitment risks are deemed low, as there has been robust continuity for more than three decades, the overall direction of most relevant rural policies (e.g. improving rural inclusion and adapting to climate change) is unlikely to change substantially. GoT and IFAD will intensify the policy dialogue as a risk mitigation instrument with the opening of an IFAD office in Ankara being a key driver hereof. The table below shows the more component specific risk and mitigation measures. All risks identified below are deemed to be within acceptable levels provided the URDP/CPMU exhibits vigilant monitoring of these and apply the mitigation strategies consistently.



**Table 1: Risk & mitigation measures**

<b>Cluster potential risks</b>	<b>Risk mitigation measures</b>
Lack of interested buyers (traders, cooperatives) at the EDC level Risk level: Low	Only products with confirmed interest from buyers and verified market demand will be supported. Each EDC will first have to go through a visioning and mobilisation stage (6-12 month period) involving all economic stakeholders before the start of activities to confirm specific interest of current/potential buyers. Main selected products have confirmed uplands potential for smallholder producers and credible market demand in the lowlands. Multi-stakeholder platform at the EDC level will be the proper venue to synergise initiatives from investors (producers and traders). Number of clusters during project implementation will be increased via a staged approach to learn from initial EDCs.
EDC stakeholders' demands not aligned with market opportunities Risk level: Low	URDP staged approach emphasizes the common visioning exercise ensuring that farmers' perspectives are considered during the EDC prioritization exercise via the multi-stakeholder platform to elaborate a strategic investment plan (SIP). This process will allow each category of stakeholders to come with feasible investment proposals keeping in mind that outlets exist in urban (lowlands) markets.
Reluctance to collaborate between EDC stakeholders Risk level: Low	Engagement of farmers with traders (or brokers) in multi-stakeholder platforms is expected to highlight the need and opportunities for smallholders to collaborate on specific issues e.g. joint negotiation and/or production planning to secure orders. Support to more organized producer group development, whether formal or informal groups, will be offered in response to specific demand in-line with EDC priorities
Resource poor farmers and youth fail to benefit from the developed markets and value chains Risk level: Medium	Cluster investment partnerships and trainings will provide opportunities for poorer farmers and youth: i) to develop market led business plans, and ii) to participate in the multistakeholder platforms where they will be exposed to the market-led changing context. Initial mobilization in the villages will emphasise this dual process and highlight to all farmers the likely benefits of larger local production to achieve economies of scale and attract increasing number of buyers, and hence the benefit to progressive "first mover" farmers to support their neighbours to copy successes later on. URDP will be implemented through PDA staff (FSTs) in farmer outreach and mobilization as they are well respected by stakeholders with excellent local knowledge of villages in project areas. Transparency in information outreach campaign and publishing outcomes of cluster investment partnerships and tenders will be done via the EDC multistakeholder platforms and local authorities. This will allow all intended beneficiaries to follow the grant award processes.
<b>Financial inclusion risk</b>	<b>Risk mitigation measures</b>
Lack of demand for loans in rural areas Risk level: Low	The growth in rural credit has been strong reaching TRY 78 million in March 2017. The annual growth rate of the agricultural credit volume between 2013 and 2016 is 18% and set to continue. In addition the URDP will make information and awareness campaigns about the availability of the credit guarantee scheme.
Political interference into the guarantee operations Risk: Low	KGF has been operating professionally for decades with high integrity and professionalism. Moreover, the URDP will monitor loan processes and report irregularities. Finally, the window will be subject to strict reporting and auditing requirements.
<b>Environmental and climate risks</b>	<b>Risk mitigation measures</b>
Increased soil degradation and lack of carbon capture	URDP will support the conversion of underused agriculture land into fruit orchards. This will consolidate soils, increase carbon capture, support diversification of livelihoods. Where relevant, URDP will support organic agriculture and integrated pest management practices.

Increased frequency and severity of droughts.	URDP will support the introduction of drought resistant fruit varieties of almonds, cherries, chestnuts, walnuts and other stone fruits. This will allow to cope with forecasted water scarcity and increased temperatures. URDP will also explore
Risk of rural roads having adverse environmental consequences	Where relevant, environmental and social management plans will be required to address the specific risks. Such plans will be included in the contractors' bids and be monitored to ensure that they are effectively implemented.
Increased pasture land degradation / mismanagement.	URDP will support sustainable management of pastures and rangelands according to the Pasture Plans developed by the government. This will allow conservation of pasture areas and enhancement of their carbon sequestration role and will allow herders to enhance quality of livestock instead of quantity.

## IV. Programme costs, financing, benefits and sustainability

### A. Costs

159. URDP is financed over an 8-year period, and it is assumed to start in the second semester of 2018. The programme will be implemented in two phases and it will operate over two funding cycles.<sup>39</sup> This will achieve significant economies of scale and provide a more realistic and appropriate planning horizon, as well as reducing programming costs. Still, substantial adjustments can be made at mid-term review, if needed. Each of the two phases within the overall programme is expected to run for 5 years with an overlap of two years. The overall programme cost for the full 8 years is estimated at EUR 98.1 million<sup>40</sup> of which EUR 52.5 million is allocated for the first phase. Additional financing for phase two is estimated at EUR 45.6 million, subject to confirmation and commitment by both IFAD and relevant GoT authorities, including the Undersecretariat of Treasury and Ministry of Development. The financing gap of EUR 45.6 may be sourced by subsequent PBAS cycles (under financing terms to be determined and subject to availability of funds and internal procedures) or by co-financing identified during implementation. It will be subject to internal procedures and subsequent IFAD Executive Board approval. In addition, co-financing opportunities will be identified during implementation.

501. Programme costs by component. Programme investments are organized in three main components: (i) Promotion of upland economic development clusters (85.5% per cent of the costs); (ii) Increased utilization of financial services (8.5% of the costs); and (iii) Programme management (6 per cent of the costs). A summary breakdown of the programme costs by components is shown below.

**Table 2: Programme costs by component**

Turkey Upland Rural Development Programme Project Components by Year -- Totals Including Contingencies (EUR '000)									
Totals Including Contingencies									
	2018	2019	2020	2021	2022	2023	2024	2025	Total
1. Promotion of Upland Economic Development Clusters	2 778	10 011	12 499	11 622	14 306	19 515	11 581	1 597	83 907
2. Increased Utilization of Financial Services	572	2 203	849	1 088	1 284	1 047	747	545	8 335
3. Project management	805	667	676	808	699	702	714	829	5 900
<b>Total PROJECT COSTS</b>	<b>4 155</b>	<b>12 880</b>	<b>14 024</b>	<b>13 519</b>	<b>16 288</b>	<b>21 264</b>	<b>13 042</b>	<b>2 971</b>	<b>98 142</b>

<sup>39</sup> Phase two will commence subject to satisfactory disbursement rate in phase one, recommendations in the supervision mission reports, and, critically, explicit recommendation hereof in the mid-term review. In addition, at least 50% of the planned MSPs should be established and functional. Consequently, it will not be automatic and obviously also subject to IFAD's and GoT's ability to mobilise necessary finance.

<sup>40</sup> Total project cost subject to EUR exchange rate fluctuations

## B. Programme financing

160. **Programme financing.** The total programme costs of EUR 98.1 million will be financed under the PBAS by an IFAD loan of EUR 35.2 million<sup>41</sup>. The financing gap of EUR 32.9 million may be sourced by subsequent PBAS cycles (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval) or by cofinancing identified during implementation.

161. IFAD's contribution to URDP will also be in the form of a EUR 0.91 million grant to be mainly spent on knowledge management and South-South cooperation activities. The government contribution will be approximately EUR 15.7 million for the two phases and beneficiaries' contributions is estimated at 10.9 million<sup>42</sup>. The establishment of the RCGF will be co-financed – with EUR 2.5 million - by KGF. The proposed financing plan is summarized in Table 3 below.

162. The government co-financing of the programme will be in: (i) seconding the programme coordinator as well as staff at provincial and regional level to support programme implementation, (ii) construction of 250 km of roads' (iii) waiving of all taxes and duties on goods and services procured under the programme. The rates and amounts of the taxes and duties in the programme costs presented below are defined only to determine the government contribution and to value the total programme costs.

**Table 3: Programme Financing Plan**

Turkey  
Upland Rural Development Programme  
Components by Financiers  
(EUR '000)

	The Government		IFAD Loan 1		Beneficiaries		IFAD GRANT		IFAD LOAN 2		KGF		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Promotion of Upland Economic Development Clusters	15 110	18.0	29 532	35.2	10 940	13.0	361	0.4	27 964	33.3	-	-	83 907	85.5
2. Increased Utilization of Financial Services	83	1.0	2 508	30.1	-	-	270	3.2	2 974	35.7	2 500	30.0	8 335	8.5
3. Project management	508	8.6	3 112	52.7	-	-	270	4.6	2 010	34.1	-	-	5 900	6.0
<b>Total PROJECT COSTS</b>	<b>15 702</b>	<b>16.0</b>	<b>35 152</b>	<b>35.8</b>	<b>10 940</b>	<b>11.1</b>	<b>901</b>	<b>0.9</b>	<b>32 948</b>	<b>33.6</b>	<b>2 500</b>	<b>2.5</b>	<b>98 142</b>	<b>100.0</b>

163. For detailed information on programme cost and financing, reference is made to Appendix 9, which includes a more elaborate explanation, as well as a complete set of summary and detailed costs tables in its attachments.

## C. Summary benefits and economic analysis

164. Programme benefits are expected to derive from: (i) promoting the expansions of competitive clusters for a portfolio of products where smallholders may have a comparative advantage; (ii) investing in specific crops, and livestock that give high returns to smallholders as well as to other actors along the value chains; (iii) providing households with business skills; (iv) improving access to market infrastructures; and (v) improving access to financial services for both smallholders and small medium enterprises (SMEs).

165. URDP's two phases are expected to benefit about 60,000 households, or 294,000 beneficiaries. The overall project approach is based on the establishment of approximately 80 clusters, each including 750 households on average. Programme's beneficiaries are divided into three main categories: (1) economically active poor HHs, (2) economically active with upsides HHs, and (iii) transformation drivers<sup>43</sup>. The majority of beneficiaries will benefit from component 1's activities, such as improved management and production trainings, value chain and business trainings, cluster investment partnerships, and infrastructures' construction/rehabilitation. Approximately 6,800 households and 80 clusters' transformation drivers are expected to access cluster investment partnerships and

<sup>42</sup> Mainly contribution to cluster investment partnerships (CIP).

<sup>43</sup> Larger farmers, agribusinesses, cooperatives etc.

loans. More precisely, out of 6,800 households, 2,400 will have access to cluster investment partnerships. The below table tentatively represents the number of beneficiaries' phasing-in by year. Considering URDP's territorial approach, the same beneficiaries are expected to benefit from multiple project activities. For the specific project activities represented in the economic analysis, a beneficiaries' adoption rate of 70% has been adopted (please see economic analysis section at the end of this appendix 10).

Households' phasing in by year (tentative schedule)*									
	PY1	PY2	PY3	PY4	PY5	PY6	PY7	PY8	Total
Number of beneficiaries	1500	5700	12000	12000	12000	8400	8400	0	60000

\*Given the territorial approach used, the same beneficiaries will have multiple benefits from the two main components

Table 4: Summary results of households and cooperative/FOs' models

166. Summary of financial models' results. Based on field visits, the programme's feasibility study results,<sup>44</sup> national statistics, and on expected programme activities, 17 indicative financial models were identified during the programme design process to demonstrate the financial viability of the investments: (i) 8 crop and activity models – strawberry, walnut, cherry, grape, maize silage, tomato, beekeeping, and goats for meat and dairy; (ii) 6 household models – 3 economically active poor HH models and 3 economically active with upside HH models; (iii) two cooperative models representing the investment in a milk cooling facility and fruit cold storage; and (iv) a road model. Crop models are indicative and are mainly used as basis for the HH models. A cash-flow analysis is finally carried out to present the “with” and “without” project analysis. All HH and cooperative models generate attractive profitability indicators, as summarized in the table below. The credit analyses, at the end of each HH and cooperative model, show that net incomes after financing are positive from first year. The main benefits of the road model are assumed to derive from increased volume of transported agricultural products for sale and reduced operation and maintenance costs of vehicles. The IRR of this model is 33% and the NPV, discounted at 12%, is TL 56 million. The road model as well as all household and cooperative models form the building blocks of the economic analysis.

Table 5: Household and cooperative models summary

HHs and cooperative models	Net income WOP (TRY)	Investment	Net income WP year 7 (TRY)	NPV @ 12% (TRY)	B/C	IRR
Economically active poor HHs_mixed	18 475	60 000	41 315	44 980	1.4	32%
Economically active poor HHs_cattle	21 864	59 000	51 782	4 611	1.0	13%
Economically active poor HHs_grape	14 235	40 000	28 750	17 875	1.4	17%
Economically active with upside potential_walnut_beekeeping	31 470	54 679	78 431	123 663	2.4	27%
Economically active with upside potential_goat_vegetable in plastic tub	27 820	126 000	68 083	72 817	1.5	30%
Economically active with upside potential_cherry orchard	32 470	53 000	56 783	36 660	1.7	19%
Cooperative model milking facility	21 000	150 000	73 000	122 845	3.0	35%
Cooperative model fruit cold storage facility	15 000	150 000	124 050	320 996	2.0	59%

167. **Economic Rate of Return.** The overall economic internal rate of return (EIRR) of the programme is estimated at 22% for the base case. The net present value (NPV) of the net benefit stream, discounted at 10%, is EUR 98.8 million.

168. **Sensitivity Analysis.** In order to test the robustness of the above results, a sensitivity analysis has been carried out; the outcomes of which are presented in table 10. The sensitivity analysis

<sup>44</sup> Feasibility study was submitted to the Government of Turkey in April 2017.

investigates the effect of fluctuations in programme costs, programme benefits, and delays in implementation on the NPV and ERR. It shows the economic impacts that a decrease in programme benefits – up to -50% – will have on the programme viability. Similarly, it shows how the economic viability of the programme will be affected by an increase of up to 50% in programme costs; and by a one to three-year delay in programme implementation. The analysis confirms that the economic viability of the programme remains attractive as a positive NPV and ERR above 10% are preserved in each case analysed.

**Table 6: Sensitivity analysis**

	Assumptions	Related Risk	NPV EUR	EIRR
<b>Programme base case</b>			98 798 730	22%
<b>Decrease in programme benefits</b>	-20%	Reduced no. of beneficiaries if only one phase is implemented (-50% benefits). Market/price fluctuations.	72 823 182	20%
	-30%	Delays of trainings. Beneficiaries do not access loans as expected.	59 835 408	19%
	-50%	Proper use of skills acquired in trainings	33 859 860	17%
<b>Increase in programme Costs</b>	20%	Market/price fluctuations (changes in market demands). Procurement risks.	92 582 928	21%
	30%		89 475 027	20%
	50%		83 259 225	19%
<b>Delays in programme implementation</b>	1 year	Delays in having the Project approved by all parties. Any other unforeseeable event.	70 797 679	20%
	3 years		36 868 027	16%

169. For detailed information on economic and financial analysis, reference is made to Appendix 10, which includes a more elaborate explanation on how the analysis has been carried out, including all assumptions considered.

## D. Sustainability

170. There are robust built-in sustainability mechanisms. Most importantly, the strong focus on profitability for both the individual economic agents as well as for the groups will drive commercial sustainability and build strong incentives for maintaining the structures post-programme. The coops/associations chosen to catalyse growth of the selected products will have a demonstrated commitment to broad-based cluster development. Their investments will be demand driven and supported by strong technical advice, and the URDP's requirements for a minimum contribution to cluster investment partnerships will increase their ownership and commitment to successful commercial outcomes. URDP support to other agents in the clusters will also be based on these principles. Capacity development of DDA/PDA extension officers and other relevant advisory bodies, (incl. MFAL officials and academia), will broaden and deepen overall understanding of the principles of good agricultural practices and good animal husbandry practices to higher standards, and will be passed on either directly or indirectly to farmers and future generations of farmers.

171. Sustainability is being built into the design of the cluster supportive infrastructure component in several critical ways. By application of demand-driven and cost sharing approach, and by enhancing the target group capacity for enhancing the productivity of existing resources it is the ambition that they will use the existing natural resources (land, pastures, water) more efficiently and profitably. This in turn will enable the target groups to respond more resiliently to the commercial and environmental challenges as well as having a financial incentive and means to finance the recurrent cost of the investments. URDP will promote environmental sustainability by ensuring that all programme activities and inputs are screened from an environmental perspective by the relevant authorities, not least irrigation and road construction. Contractors will be required to submit environmental and social

management plan (to be well-budgeted) would be required to develop environmental and social management plans in the feasibility studies wherever relevant and URDP will monitor the implementation. Sound operation and maintenance(O&M) frameworks as well as environmental and climate risk assessments will be mandatory pre-requisites before implementation of any infrastructure works begin on the ground. And finally, the selection criterion on feasible and sustainable procedure for operation and maintenance of the proposed facility, endorsed by the responsible institution, the PDA.

172. Environmental sustainability is the key guiding principle of the URDP, as the programme will seek to leverage the uplands characteristic (purity, absence of viruses, traditional, limited/no use of pesticides and based on respect for the natural resources) for commercial differentiation and success. All programme activities are designed to enhance the capacity and incentives of private sector agents in agriculture to sustainably increase market activity – during and after programme implementation. Small-scale farmers will be equipped with knowledge, skills and opportunities for organizational infrastructure to engage in value chains, and have access to cluster investment partnerships for production or post-harvest equipment and/or marketing/branding to improve sales potential.

173. The credit guarantee fund (KGF) has already proven its sustainability through its more than two decades of operations, with low pay-outs and high professional standards. The URDP will rely on its existing structure, procedures and systems to deepen financial service penetration in upland areas. KGF will also invest own funding in the rural credit guarantee fund (EUR 2.5m) further boosting confidence in the approach.

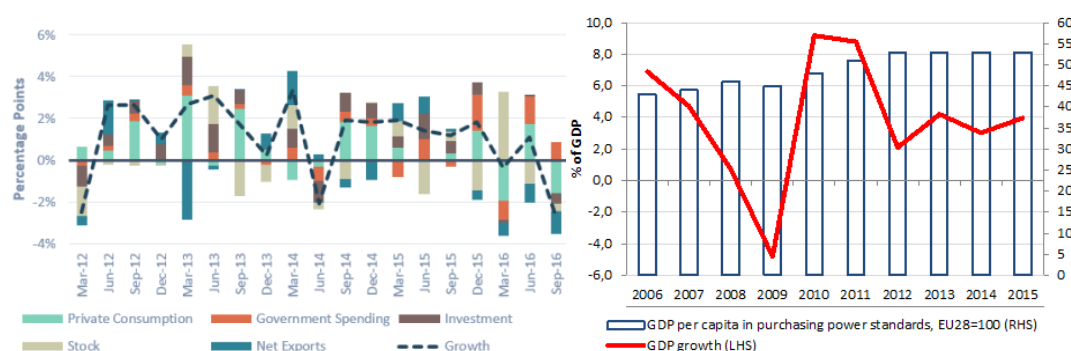
## Appendix 1: Country and rural context background

1. Turkey is a nation straddling eastern Europe and western Asia (Anatolia) and was one of the first countries to partner with IFAD, which resulted in the first investment in 1982. Since then IFAD has financed 10 projects in Turkey for a total cost of more than USD 660 million, of which IFAD loans amounted to around USD 190 million. Co-financing by the government of Turkey (GoT) and beneficiaries amounted to USD 325 million, with other development partners (incl. IsDB, OPIC, WB and UNDP) co-financing the remainder.

2. Today 80 million people live in Turkey, almost as many as Germany, the EU's biggest member. While population growth has slowed over the last four decades it is still comparatively high at 1.5% which in turn will require continued job creation for the bulging cohorts of youth entering the labour market in the coming years. Until now Turkey has been able to create a substantial number of jobs in both the service and industrial sector, as the economy has expanded rapidly in the last two decades.

3. Consequently, after recovering from the dot-com bust of 2001, Turkey's economy has been one of the star performers in the world. Growth averaged 7.5% in the 2003-2007 period, 4% in the difficult years of the financial crises between 2007 to 2011 and 3.5% from 2012 to 2015.<sup>45</sup> However, in recent years' private investments has remained relatively weak, while the contribution of net exports was negative. Moreover, growth has become more concentrated in the construction sector where productivity gains are lower and hence less likely to drive sustained inclusive growth.<sup>46</sup> In 2016, GDP growth has slowed to 2.1 % year-on-year in the second quarter as net exports continued to deteriorate and private investment activity further weakened. The decline in foreign tourist visits (32 % year-on-year) has weighed heavily on economic activity in the third quarter of 2016. Consequently, GDP per capita based on purchasing power parity remained unchanged in 2015 at 53 % of the EU average (see figure 2). Effects of the failed coup attempt on the overall economic situation are still difficult to assess, but it has had some negative impact. After an initial sell-off, Turkish financial markets recovered, although not quite to the levels before 15 July. Industrial production, exports, investments and private consumption dropped sharply in third quarter of 2016 (see figure 2) and, according to estimates from the World Bank, only staged a weak recovery in Q4 leading to the low GDP growth on 2.1% as stated above. Meanwhile, inflation surged to 10% in February 2017, the highest for in 5 years reflecting the depreciation of the Turkish Lira (TRY), which is now hovering at an all-time low against the currencies of its major trading partners and, crucially, creditors.<sup>47</sup>

Figure 4: Turkey's GDP in the short term (2012-2015) & Figure 5: medium (2006-2015) perspective



Sources: Figure 1: World Bank: Economic Note, 2017. Figure 2: EU: Turkey Progress Report, 2016. Note figure 1 growth rate is year on year while figure 2 growth is quarter on quarter.

4. In the first quarter of 2017 the economy grew by an unexpectedly brisk rate of 5%, driven by increases in both public and private consumption, as well as a significant expansion of the Credit

<sup>45</sup> Source: Turkish Statistical Institute, [www.turkstat.gov.tr](http://www.turkstat.gov.tr), data extracted in June 2017.

<sup>46</sup> World Bank:

<sup>47</sup> Turkish Statistical Institute, 2017.

Guarantee Facility, which expanded credit availability for businesses in general and exporters in particular. However, investments remained subdued.<sup>48</sup>

5. According to most recent (OECD and World Bank, June 2017) medium-term growth is expected to recover slightly in the next few years to reach 3.5% annually, reflecting continued investor uncertainty. This is still significantly lower than the boom years in the 2000's and does pose challenges in reducing especially rural poverty.

6. **Rural-urban migration has been high.** A pattern of increasing internal migration from villages to urban centres can be traced back to the 1950s and the development of Turkey's industrial base in the Northwest and Western regions. However, rural to urban migration increased markedly during the 1970s and reached a peak between 1980 and 1985 when the urban/rural balance tipped. More recent developments indicate that the share of the rural population has been falling from 23.3% in 2011 to 8.25% in 2014<sup>49</sup>. The drivers of inter- and intra-regional migration from rural to urban areas are several: human resource-related issues (low levels of education and few skills), ineffective institutional structures including farmer organizations (cooperatives, producer unions, etc.) needed to support rural development, highly scattered settlement patterns in some regions particularly the along the Black Sea, insufficient investments to develop and maintain physical, social and cultural infrastructure, high rate of hidden unemployment, insufficient diversification of agricultural and non-agricultural income-generating activities resulting in low incomes and relatively low quality of life for the rural population.

7. Rural urban migration is expected to continue as the Turkish economy grows and becomes more sophisticated. However, the rural urban migration patterns are being more complex with e.g. circular migration emerging as a following both seasonal shift (e.g. outmigration during the tourist peak season) as well as life-cycle migration, with older persons returning to their rural area of origin after having worked for a number of years in urban areas. Both types of circular migration are also prevalent in the programme areas, but only the former type (seasonal) is targeted directly by URDP. Moreover, there are also signs that some young people are taking advantage of vacant land that is increasingly available due to decades of de-population, in the form of consolidating land and expanding production. Moreover, the urban affluent are also demanding more specialty products that often include a unique story of its origin and processing. Here especially mountainous areas hold significant potential as e.g. the chestnut honey and goat cheeses for Kastamonu and Mersin, respectively testify.

8. **Climatically, Turkey is experiencing increasing temperatures and volatility most notably in the mountainous regions.** Although Turkey is largely situated in the Mediterranean geographical location where climatic conditions are quite temperate, the diverse nature of the landscape, and particularly the mountains that parallel the north and south coasts result in three main climate zones: Mediterranean, Sub-tropic and Terrestrial, each with distinct precipitation patterns: i) the convective rainfall in Central Anatolia during spring and summer months, ii) the frontal rainfall in all regions, mainly in the winter and spring months, and iii) the orographic rainfall on the seaward slopes of the Black Sea and the Mediterranean Sea. Average annual precipitation is 643 mm (average of 1941-2007), ranging from 250 mm in the Central Anatolia to over 2500 mm in the coastal area of Northeastern Black Sea. Across the country, approximately 70% of the total precipitation falls during the period between October and April, and there is a little rainfall during summer months.

9. Temperatures have increased steadily in each of the two programme provinces, peaks of increase are recorded during early summer and winter, and with Mersin as the province with higher variation. Rainfall, though generally stable in the Eastern Mediterranean provinces and slightly more abundant in the Western Black Sea ones, varies according to geomorphology and average altitude of the province. Even if data shows an increase of available rainfall in most of the provinces, rainfall distribution during the year has changed increasing summer winter and summer precipitations and decreasing during spring and autumn. Snow cover has decreased in both regions and in each province with a more marked decrease in high mountains where snow cover can up to 4 weeks shorter in time.

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<sup>48</sup> TurkStat: Quarterly Gross Domestic Product, I. Quarter: January-March, 2017', June 2017

<sup>49</sup> In 2014, the classification of Greater Metropolitan Municipality (GMM) was adopted, when large tracts of rural areas were merged with the urban where villages are now classified as neighborhoods of a GMM.



10. Furthermore, data shown in figure 1 confirm that changes are not just to be expected as per IPCC forecasts but a concrete reality. Increased temperatures and erratic rainfall patterns as well as reduced snow cover will have an impact water resources and management and as a consequence on agriculture.

**Table 7: Temperature trends in URDP target areas<sup>50</sup>**

Region	Province	Temperature		
		Minimum	Max	Average
EASTERN MEDITERRANEAN SEA	Mersin 1981-2015	Increasing	Increasing	Increasing
	Adana 1981-2015	Increasing	Increasing	Increasing
	Osmanye 1981-2015	Increasing	Increasing	Increasing
WESTERN BLACK SEA	Kastamonu 1981-2015	Increasing during Summer and Decreasing during Winter	Increasing	Increasing
	Sinop 1981-2015	Increasing	Increasing	Increasing
	Bartın 1981-2015	Increasing	Increasing	Increasing

**Table 8: Snow Cover Trends in Target Areas<sup>51</sup>**

Region	Province	# of days with snow cover
EASTERN MEDITERRANEAN SEA	Mersin 2000-2015	Decreasing
	Adana 2000-2015	Decreasing
	Osmanye 2000-2015	Decreasing
WESTERN BLACK SEA	Kastamonu 2000-2015	Decreasing
	Sinop 2000-2015	Decreasing
	Bartın 2000-2015	Decreasing

11. From the analysis of the normalized difference vegetation index (NDVI) trends<sup>52</sup> and evolution of target areas, the scenario is generally positive (positive trend) or neutral (no evident changes) with the exception of the Adana-Osmaniye plains where a negative trend is appreciable mostly in winter. Correlation between changes in monthly rainfall in the areas and negative NDVI are to be further monitored in the implementation phase. In the Eastern Mediterranean region, the observed situation is probably caused by a large expansion of fruit orchards and olives in intermediate lands (0 to 500 m) and low lands and to the large-scale reforestation and afforestation programs of the Country in the past decades. In the Western Black Sea region, the situation is generally positive with no extended negative hot spot. Those that are visible are mostly due to urbanization. For both regions, positive trends are concentrated in uplands and intermediate lands.<sup>53</sup> Data have corroborated with the existing [WFP](#) and [FAO](#) databases and initial observations are confirmed by similar findings.

<sup>50</sup> Pini, G 2017. Remote Sensing Analysis of URDP Target Areas. IFAD 2017

<sup>51</sup> Pini, G 2017. Remote Sensing Analysis of URDP Target Areas. IFAD 2017

<sup>52</sup> 1981-2015 plus 1996-2015

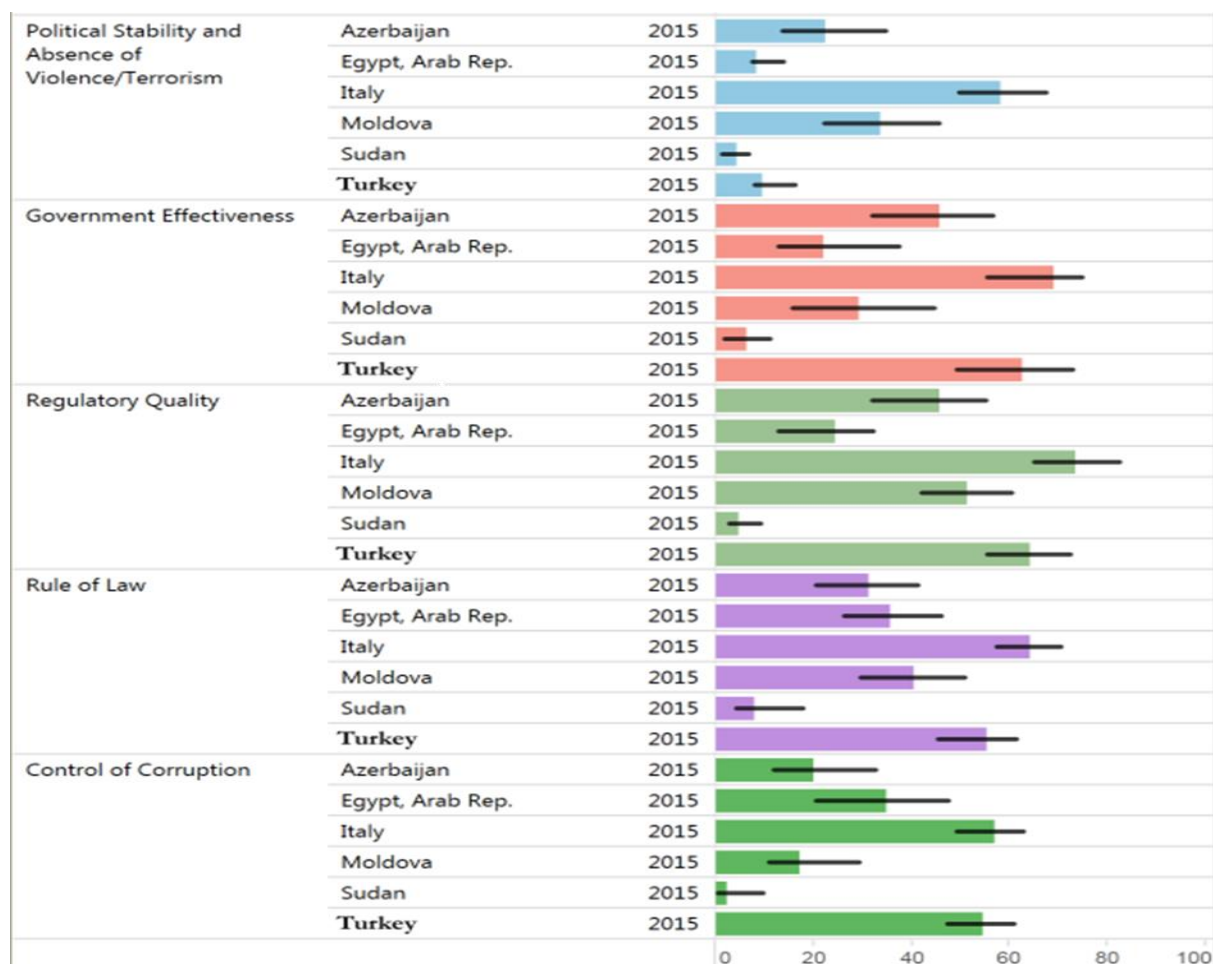
<sup>53</sup> Pini, G 2017. Remote Sensing Analysis of URDP Target Areas. IFAD 2017

12. **Governance has improved.** In the 2000s, the prospects of EU accession, as well as internal pressures, helped drive reform efforts in key governance areas such as the rule of law: progress in this area is a key condition for the EU. Moreover progress was also made in improving regulatory governance, as well as promoting good governance.

13. As can be seen from Figure 3, these efforts have contributed to Turkey being one of the best performers in governance rankings compared to its regional peers, in categories such as control of corruption (the degree to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests), GoT effectiveness (indicating the quality of public services, the quality of the civil service and the degree of its independence from political pressures) and, rule of law (the degree to which people have confidence in and abide by the rules of society). Only in political stability and absence of violence does Turkey score badly, partly due to spill-over effects from the war in Syria. A similar pattern can be observed from TI's Corruption Perception Index 2016, which ranks Turkey as better than its regional peers, ranking as the 75<sup>st</sup> least corrupt country in the world.

14. The comparatively robust governance systems and their solid integrity is also a key reason why the EU is using budget support as its preferred modality to channel assistance to Turkey (through e.g, IPARD). IFAD has however been insisting on strict fiduciary safeguards, not least concerning procurement, but the URDP will gradually rely on domestic systems while also safeguarding fiduciary and management risks (the Procurement section).

**Figure 3: Turkey's governance in a comparative perspective (WB, 2017)**



Source: World Bank Governance Indicators, 2017

## Rural context

15. **While economically growing, agriculture's relative importance is declining.** Similar to the historical experience of most other countries, the relative importance of agriculture has declined as also documented in table 8, the share falling from 10% of GDP in 2002 to 7% in 2015 with even stronger decline in the share employed in the sector, partly reflecting increased productivity. Thus, in absolute terms agricultural GDP has more than doubled in that timeframe whereas exports have more than quadrupled, a testimony to Turkey's rising status as a major international agricultural exporter, not least to EU. Consequently, these exporters have been able to comply with the rather stringent regulatory and health requirements (incl. SPS). These exporters are obviously often big producers typically located in the plains where economies of scale can be achieved. While fruit and vegetables account for around one third of exports other products are also gaining international markets share, in particular:

16. *Tree Nuts:* Turkey dominates world hazelnut trade and accounts for nearly 80 percent of global hazelnut exports. Nearly three-quarters of Turkish exports go to the European Union. *Raisins:* Turkey remains the world's largest exporter of raisins, accounting for nearly one-third of total global trade. The lion's share of these exports are to the EU-28. *Poultry:* Turkish poultry exports have also been expanding in recent years. In fact, Turkey is expected to be the world's sixth-largest exporter in 2014. Almost all of these exports are shipped to other Middle East markets, especially Iraq. Turkey has a comparative advantage over other suppliers as a result of its close proximity to these markets, its ability to supply halal product, and the fact that it supplies whole broilers, which many customer countries prefer. *Pasta:* With the rapid expansion of its pasta exports, Turkey has become the world's third-largest exporter of pasta after the EU-28 and China. Most of this pasta is going to Sub-Saharan Africa, where Turkish pasta has largely replaced Italian pasta in many markets. *Flour:* Turkish flour exports have surged, reaching almost \$1 billion in 2013 and surpassing two million metric tons, making Turkey the world's largest exporter of flour. While the majority of Turkish flour goes to Middle East, exports also go to Asian markets such as the Philippines and Indonesia, and exports have been rising to Sub-Saharan African markets. In fact, flour exports to Sub-Saharan Africa have tripled in the last five years.<sup>54</sup>

17. In sum, Turkey is emerging as an agricultural powerhouse with increased diversification of both products as well as markets, although the EU remains by far, the most important one. Moreover, the domestic market is also expanding rapidly with increasingly affluent urban consumers demanding more sophisticated products, including those with unique characteristic such as being organic, locally grown and encompassing credible storytelling.

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<sup>54</sup> Data from USDA: Foreign Agricultural Service, 2015.

**Table 9: Turkey's agriculture compared**

	2002			2015		
	All Turkey	Agriculture	(%)	All Turkey	Agriculture	(%)
Population (Million)	67,0	23,7	35,4	77,7	17,4	22,7
Employment (Million)	21,3	7,6	34,9	24,6	5,2	21,1
GDP (Billion \$)	230,5	23,7	10,3	822	61	7,4
GDP per Capita (\$)	3.492	1.064	28,6	10.807	3.475	32,2
Exports (Billion \$)	36,0	4,0	11,2	157,6	18,8	11,9
Imports (Billion \$)	51,5	3,9	7,7	242,2	18,1	7,5

Source: TurkStat, 2017

18. However, with the rise of these highly competitive and large-scale industrial farmers, the gap with those left especially in the mountain areas (where economies of scale are harder to achieve) has widened. Here the farmers are often disadvantaged by high transportation cost for both inputs and produce as well as small farm size. The latter being a result of both the topographical characteristics (mountainous areas tend not to favor large-scale farms) as well as a history of land fragmentation due to inheritance to multiple sons. Moreover, many upland farmers lack sufficient knowledge and support to avail of existing and emerging market trends.

19. **The land use and ownership structure is undergoing change.** Around half of Turkey's land is arable or forest as can be seen from Table 9, with many of the forest areas also serving as an important income for some of the poorest in rural Turkey, as forest villages tend to be the most isolated and with limited agricultural expansion options.

20. **Average farm size can be deceptive:** In Turkey, the average farm size is 6 ha with 83% of farmers having less than 10 ha. However, these farms are typically spread across 10 parcels with each parcel thus being only 1 ha.<sup>55</sup> Moreover, the average tend to obscure the inequality of land distribution with many farmers in especially the plains having substantially larger farms.

21. The situation is more severe in mountainous areas where the sloping terrain and limited connectivity have made land even more fragmented. Here the average land size is significantly lower, in places close to only 1 ha (albeit often of higher value crops such as fruits, vegetables and nuts). Again, especially forest villages or villages adjacent to forests are having small farm sizes due to restriction on deforestation, leading many to practice what can be termed backyard farming, combined with other income sources e.g. non-timber forest products, seasonal employment outside the village and remittances.

<sup>55</sup> Metin Turker: Structural Changes and Reforms in Turkish Agriculture, MFAL, 2015

Land Classification	Area (ha)	%
Cultivated land	24.437,000	31,1
Forests	21.678.134	27,6
Pastures	14.617,000	18,6
Water areas	1,050.854	1,4
Other	16.751.482	21,3
Total	78.534.470	100

Source: MFAL, 2017

Farm Size (ha)	% of total agri. area
0 - 0.49	0.3%
0.50 - 0.99	1.1%
1.0 - 1.9	4.0%
2.0 - 4.9	16.0%
5.0 - 9.9	20.7%
10.0 - 19.9	23.8%
20 - 49.9	22.8%
50.0 - 99.9	6.1%
100 - 249	3.0%
250 - 499	0.4%
500+	1.9%

22. With scattered producers, poor connectivity and unreliable inputs such as water and fertilizer, the low output volumes and inconsistent quality hampers integration into more profitable value chains, that could improve incomes and livelihoods. Especially older farmers are reluctant to enter into more cooperative engagements that could improve their bargaining power, improve quantities and qualities, as well as facilitate storage, packing and marketing. However, a younger (but small) generation of farmers are emerging that have a more pragmatic approach to joining forces with other farmers.

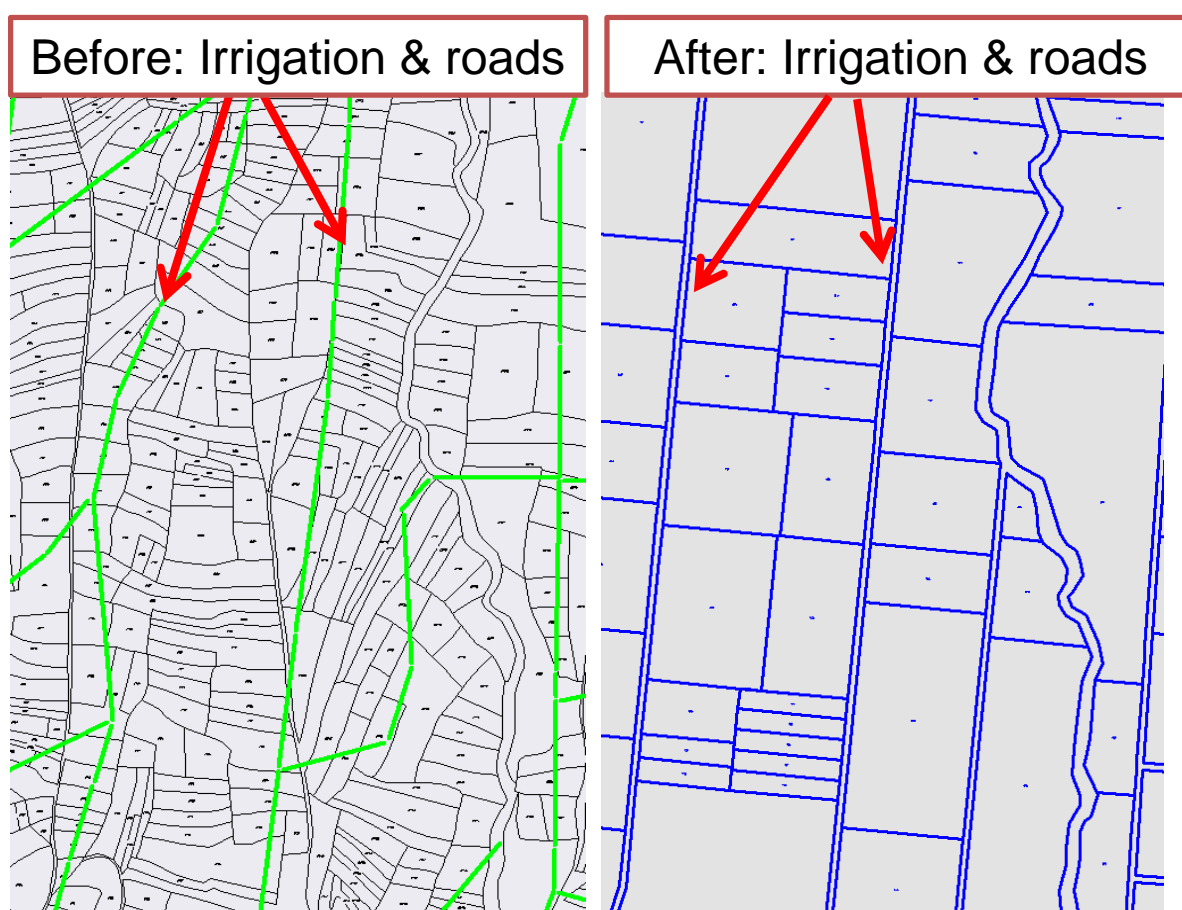
23. **Constraints to agricultural production on the small farms are numerous.** One of the most important constraints is the lack of water – animals cannot be grazed too far from sources of water and with rainfalls becoming more unpredictable, irrigation for orchards and vegetable production is more needed. Even where there is water, producers cannot access it. Lack of water for livestock and crop production is a very commonly mentioned constraint and extraction of water is expensive, beyond the means of poor farmers. Underground water sources can be found even in the most mountainous areas – but they are generally quite deeply below ground at, for example 23-30m below ground level. A borehole would cost TRY 40,000 to install, and one borehole would not be sufficient for grazing needs. Growers are creative, at accessing water where possible. There are springs in some areas, and enterprising producers tap springs above their farms, and install pipelines to move water by gravity down hillsides to their homes and to livestock grazing areas on their farms.

24. **However, there are upsides in upland areas that are increasingly being seized by the younger generation.** First of all, land consolidation is aggressively pursued by the government and has been accelerated to now reach almost 1 million ha. per year, with significant productivity and economies of scale, also due to this being done in conjunction with significant infrastructural invest-

ment in e.g. irrigation and connectivity. As Figure 6 from Adana shows there is clearly opportunities for improving agricultural productivity. In the last decade, around 4.5 million hectares have been consolidated, and further 10 million more are planned until 2023.<sup>56</sup> A challenge hampering the progress is the often un-registered changes in title deeds and land rights that has happened as the demographic structure has changed, with the original owner perhaps deceased but without any formal transfer of ownership to his children. With many of the original owner's offspring having migrated to cities or even abroad, resolving the inheritance formalities can be challenging.

25. Nevertheless, with drastic outmigration from many rural areas during the last 3 decades, there is now a historical opportunity to reverse decades of land fragmentation as many have (or are close to) abandoning their land. A majority of farmers in the mountainous areas are close to or already reached retirement age and they will be willing (or eventually because of age, are forced) to dispose of their land to younger rural entrepreneurs who, due to their limited numbers, can accelerate the consolidation process. This momentum is key for URDP to seize and drive forward.

**Figure 6: Example of the Effects of Land Consolidation in Adana Province**



Source: MFAL, 2015

26. Finally the crops produced by the poor upland farmers are increasingly attracting the attention of agricultural traders, due to their early/late seasonality (compared with coastal regions) and due to the unfitness as they are perceived as being cleaner more authentic products with robust potential for story telling; all characteristics that can lure urban consumers into paying a premium. Consequently for most crops grown by poor smaller holders there is – perhaps counterintuitively - a *positive* correlation between increased production and prices, indicating a strong untapped demand. This is illustrated in table below

<sup>56</sup> MFAL, 2015

**Table 12: Correlation between production and prices**

Correlations quantity - inflation discounted price 2012-2016	risk		Adana							Kastamonu
	higher Correl < -0,5	lower Correl > 0,5	Aladag	Pozanti	Karaisali	Tufanbeyli	Feke	Kozan	Saimbeyli	All districts
Alfalfa	1	1				-0,95			0,75	-0,86
Almond	0	2			0,95	0,76				
Apple	1	2	0,52	-0,66		0,78	-0,05			-0,68
Barley	0	2	-0,35		0,73				0,85	-0,82
Bean (dry)	0	2		0,70		-0,29	0,79			
Bean (fresh)										-0,43
Bean (green)	0	0		0,07					0,20	
Cherry	3	0	-0,78	-0,91				-0,28	-0,69	-0,80
Chestnut										0,97
Chickpea	0	0		0,22		-0,39				
Cucumber										0,70
Garlic										-0,13
Grape	3	1	-0,88	0,53	-0,91	0,32	-0,42		-0,93	0,60
Hazelnut										0,03
Honey	1	0						-0,92		
Kapya Pepper	0	0			-0,06					
Kiwi	0	0					0,24			
Lettuce	1	0						-0,82		-0,68
Lettuce (curly)										-0,50
Maize	1	1			0,80			-0,87		-0,07
Maize (silage)	0	1						0,71		
Morello										0,17
Olive	1	0	-0,80		-0,37			0,32		
Onion										0,49
Pear										-0,83
Pepper (sharp)										-0,25
Persimmon	1	0						-0,69		
Plum										0,80
Potato	0	0				0,39				0,05
Pumpkin										0,57
Quince										-0,76
Red mullet										0,51
Rice										0,28
Sainfoin										-0,66
Spinach										-0,45
Sugarbeet	0	0				0,36				-0,15
Sunflower	0	1	-0,23		-0,16			0,70		
Syez (wheat)										0,05
Tomato	0	2		0,38			0,88		0,53	-0,04
Vetch (Grass)	0	1	-0,27			0,87	-0,35		0,49	-0,39
Walnut	0	1	0,33	-0,41		-0,38	-0,45		0,61	0,33
Watermelon	0	1			0,87			-0,04		
Wheat	2	1	0,03	-0,66	-0,69	0,26	0,12	0,93	0,36	-0,17

Source: URDP design team, based on data from PDAs and district authorities.

27. The above analysis was carried out on a subset of pro-poor commodities recommended by local stakeholders (numbers highlighted in blue and underlined). Correlations were taken between yearly average commodity prices, discounted with monthly inflation<sup>57</sup> rate to June 2017, and yearly production quantity for 5 years (2012-2017). The analysis shows that a few commodities have severe price drops with increasing production in different district. The redder the cell in the above table, the more severe the risk of glut. At the same time, many commodities or other districts show positive correlations i.e. price increase with quantity increase, which indicate untapped demand.

28. URDP commodities that might have untapped demand according to the analysis:

- Almond in Karaisali and Tufanbeyli of Adana Province;
- Apple in Aladag and Tufanbeyli of Adana;
- Barley in Karaisali and Saimbeyli of Adana;

57 Ref. Inflation Calculator of the Central Bank of Turkey – Türkstat:  
<http://www3.tcmb.gov.tr/inflationcalc2/inflationcalc.php>.

- Cucumber in Kastamonu districts;
- Grape in Pozanti,(Adana) and Kastamonu districts;
- Tomato in Saimbeyli (Adana);
- Walnut in Saimbeyli (Adana).

29. Key to making mountainous products into larger businesses is to lower transaction costs, and to prioritize aggregation of volumes. Challenges for aggregation are mistrust, habit simplicity. Other challenges come from current value-chain financing mechanism based on credit extended by larger traders throughout the chain, and insufficient logistics (storage, packaging and transport facilities). Farmers will need to see tangible public commitment in terms of infrastructural investment and demonstration that business results can be actually achieved. Such infrastructural investments would also cope with logistics improvements.<sup>58</sup>

### Government policies on rural development

30. At the macro-level, GoT 10<sup>th</sup> development plan for 2014 -2018, aims to increase the living standard of the Turkish population and the quality of life of every individual. In particular relevant to IFAD, are the plan's ambitions to reduce rural poverty, through increased competitiveness and by linking rural areas to better commercial opportunities.

31. **In the agricultural sector, governance and policy predictability has been comparatively robust**, and historically the EU approximation agenda has been a key driver for reform and still remains important, if only to ensure access to the EU market. The National Rural Development Strategy (NRDS) covering the 2014-2020 period has been prepared as an implementation tool of the 10th National Development Plan. NRDS aims to increase the productivity of rural population and decrease the gap between income levels of rural and urban population. It defines five strategic objectives together with priorities and measures for each objective. Strategic objectives of NRDS are:

- Development of rural economy, increasing employment opportunities.
- Improving rural environment, sustainable utilisation of natural resources.
- Improving social and physical infrastructure of rural settlements.
- Improving human capital in rural communities and decreasing poverty.
- Enhancing local development capacities by establishing district level governance structures.

32. The NRDS also aims to “to accelerate rural development in order to increase the welfare of rural society”, which is a wider social objective. It also recognises the importance of developing synergies between the improvement of the agriculture sector and protection and development of natural resources in the framework of the sustainable environment. In addressing the needs of agriculture and wider needs of rural society in a sustainable way, the NRDS establishes an integrated and coherent approach towards rural areas that considers all the relevant dimensions of rural development, sectorial and territorial.

33. Finally, the Agricultural Strategic Plan 2013 -2017 is detailing the agricultural specific aspects and priority areas mentioned in the broader development strategies outlined above. It also has five core strategic areas, including 1) *Agricultural production and security of supplies*, which aims to have sufficient and safe food production and consumption as these are some of the most primary concerns of all communities. The goal is for all consumers to be able to access enough healthy and safe food with sufficient quality, which can satisfy their needs. 2) *Food safety*, which states that agriculture must produce, process, preserve, store, and market all food materials and food contact materials, and adopt technical and hygienic rules for ensuring food safety, and to protect consumer health as much as possible. This also to avoid unfair competition from producers with too low food safety standards.

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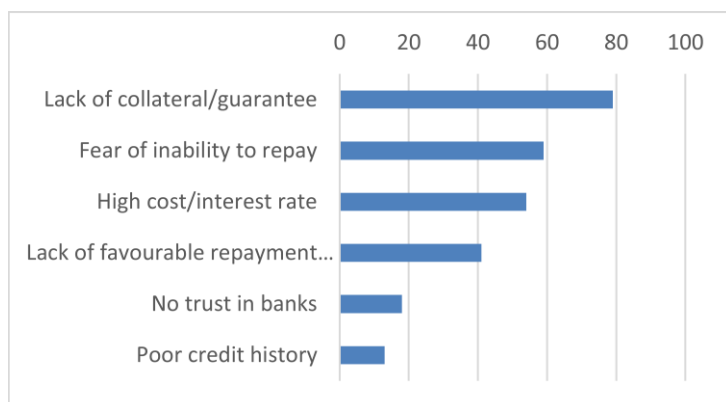
<sup>58</sup> More market and price information is available in the working paper: URDP- Market Assessment' IFAD August 2017.



3) *Phytosanitary and animal health and welfare*; here the main goal is to reach the desired levels of production by reducing the economic losses resulting from diseases and pests, to increase the income of producers, and to facilitate national and international trade through the use of plant and animal health practices that focus on protecting human and environmental health, and on ensuring a safe supply of food. 4) *Agricultural infrastructure and rural development*, which aims to improve the standard of living and enhance the prosperity of individuals and communities living in rural areas, working in the agriculture sector and/or benefiting from other rural sources of income. Along with the agricultural infrastructure and rural development investments, social infrastructure investments are also priorities to increase the standard of living of the population living in rural areas. In this sense, the ambition is to transform passive producer into a participatory, organized and productive one who participates in planning processes. Finally, 5) *Institutional capacity* aims to activate institutional management system and human resources management; develop technological and physical infrastructure; improve social facilities; become nationally and internationally active in terms of the services offered; and to strengthen the image of the institution in order to ensure institutional relevance by offering timely, effective and high quality services.

34. **IFAD will align and support the government in its ambition to modernize the rural sector with a view to increase competitiveness and improve resilience.** The benefits of increasing competitiveness and employment generation has been proven. However, IFAD will also complement this strategy with more direct targeting of agro-pastoralists and poor rural households, with special emphasis on youth and gender issues, as described in the next Appendix.

**Figure 7: Main impediment to investment capital (% EBRD, 2016)**



#### **Access to Rural finance**

35. Small-holders and agribusiness continue to struggle to gain access to financial services and while many complain at prohibitively high interest rates, the issue of collateral is *de facto* the most significant obstacle to obtaining a credit (see figure 9 from EBRD, 2016). Rural people are particularly excluded from accessing financial services due to lack of bankable assets,<sup>59</sup> which affect women even more.

36. Banks are also reluctant to use personal guarantors for rural credit as the guarantor is often a fellow farmer, whose climatic and market risks are often identical to the potential borrowers. Hence, in case of the borrower's default, the guarantor is also likely to be unable to honour the guarantee. Many farmers are also directly fearful of taking a credit, especially the poorer and more subsistence oriented farmers, with no credit history (also confirmed during the field visits).

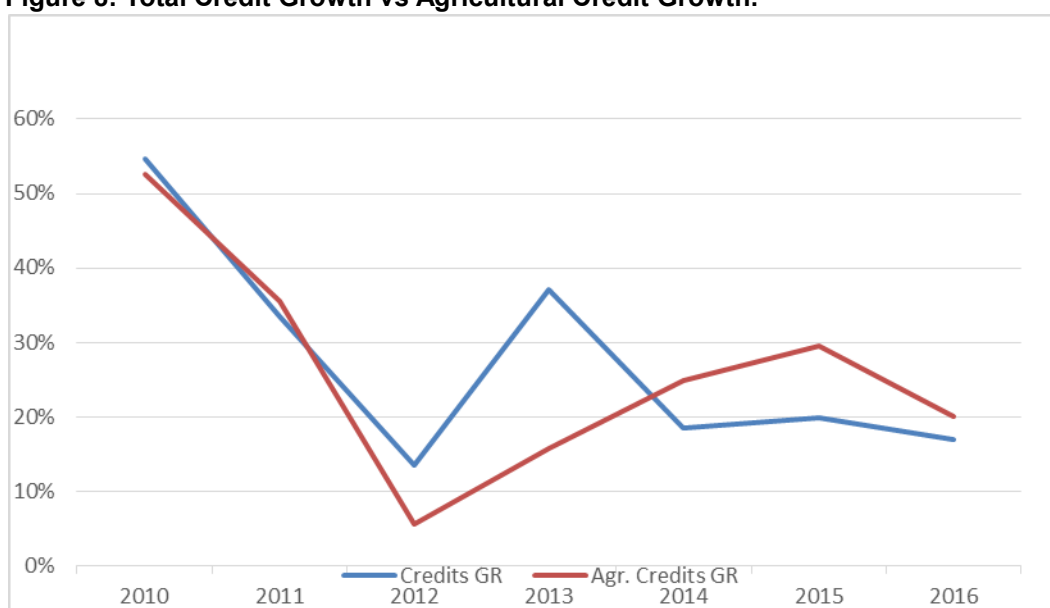
37. Farmers are willing and eager to engage in new investments and will require investment credit to finance them. A recent agricultural finance field survey<sup>60</sup> covering representative farming areas in the country, reveals that 30% of participating farmers are planning to acquire new land to increase production (including field crops, horticulture and vineyards), 19% want to increase their livestock, 17% intend to purchase new machinery, 14% need to improve existing infrastructure, 10% need to invest in irrigation, 6% envisage storage, processing and packaging investments, while 5% anticipate greenhouse construction etc. This is an indication for an increased demand for credit in the coming years, especially for loans with longer term maturity.

<sup>59</sup> Assets such as well-constructed houses are not considered collateral due to their remote location.

<sup>60</sup> Frankfurt School of Finance and Management: Agricultural Finance Field Study. MSME Finance Facility, 2016.

38. The financial sector in Turkey has been responsive to the increased demand for agricultural credit, providing though much less than needed by the farmers. The agricultural finance field study compared responses of farmers between 2011 and 2016. While in 2011 financing problems (difficulty in accessing bank finance, finance for new investments etc.) were ranked among the first five impediments for rural development, in 2016 the ranking of these problems were at the low end; the first being consistently: high input prices (dependent on imports), low output (selling) prices, unstable government policies, fragmented agricultural land, weak farmers' groups etc. Figure 8 below indicates a growth rate of agricultural credit, more or less similar (although substantially smaller) to this of total credit over the past ten years. In 2016, 47% of the farmers participating in the agricultural finance field study managed to access bank credit and 34% accessed Agricultural Credit Cooperative (ACC) funds. Three out of four farmers report however that they have to rely only on their own resources to support their agricultural activities (which means that even if almost half of the farmers get loans, the loans don't fully cover their needs). According to the data provided by the BRSA (the regulatory/supervisory authority of the financial sector), the ratio of agricultural loans (including fishery and forestry loans) to total loans is only 4% (Figure 8) with total loans in 2016 being TRY 1.8 billion versus only 73 million for agriculture.

**Figure 8: Total Credit Growth vs Agricultural Credit Growth.**



Source: Agriculture Sector Report for January - March 2017. EBRD, MSME Finance Facility

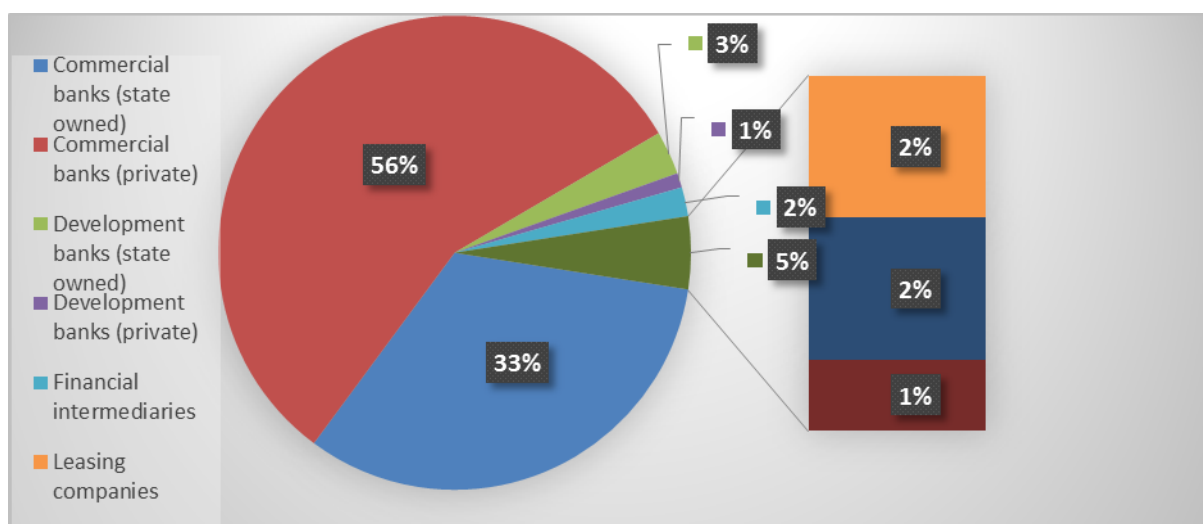
39. The importance of agricultural loans to support agricultural production (and by extension total production in the country), is only lately being recognised. Public banks, which have been extending agricultural loans for a long time, are responsible for 68% of all agricultural loans by value. Private banks started recently to develop financing products designed to meet the needs of farmers other than conventional agricultural loans and are responsible for 32% from the total agricultural loans by value. They have played a pivotal role in the coining of the term “private agricultural banking” and helped to drive a 2.5-fold increase in agricultural loans over the last 5 years. Nevertheless, the ratio of newly extended agricultural loans compared to total loans is still low. This suggests that there is still a lot of room for substantial expansion with respect to agricultural loans<sup>61</sup>.

40. The Turkish financial sector is dominated by the banks, which are well capitalized and regulated. Banks are holding over 90% of the financial system by asset ownership and meet the Basel III requirements, with the average Tier 1 capital ratio at 13.3 percent at the end of 2015. Nonbank financial institutions (NBFIs) include insurance and pension fund assets constituting a rather small percentage (Figure 9). 21 banks provide SME loans, while 74 specialized leasing companies offer leasing, and 76 specialized factoring companies provide factoring services. 2 MFIs provide micro-

<sup>61</sup> CBRT, December 2016

credit to low income women entrepreneurs and 2 public loan funds provide low-interest loans to SMEs. The regulation and supervision is entrusted to three main authorities: a) the BRSA is the regulatory and supervisory authority for the banking industry as well as financial leasing, factoring, financial holding companies, electronic money institutions, consumer financing, some payment systems institutions and asset management companies; b) the Capital Markets Board of Turkey (CMB) is the regulatory and supervisory authority for the securities markets; and c) the General Directorate of Insurance and the Insurance Supervisory Board operating under the Under secretariat of Treasury are responsible for the insurance sector. Other supervisory bodies include the Central Bank of the Republic of Turkey (CBRT), the Financial Crimes Investigation Board (MASAK); and the Savings Deposit Insurance Fund (SDIF).

**Figure 9: Total Financial System Assets**



Source: World Bank, IMF FinStats 2014.

41. At least 10 banks have developed agricultural departments, with main provider for agricultural credit being the state owned Ziraat Bank with 65% of its loan assets related to agriculture and agribusiness. The credit balance of 61% of these loans is below TRY 50,000 and 10% below TRY 10,000 indicating that the bank serves the rural areas even at micro level. The bank offers working capital type of loans with maturity up to 18 months, investment type of loans with maturity up to 10 years, loans for machinery with maturity up to 5 years and charges a government subsidized interest rate that ranges between 8% and 11% (or un-subsidized 15%). Ziraat reports that collateral is the main impediment for extending more investment type loans. The bank tries to aggregate farmers in contract farming so as to transfer the credit risk to a larger processing company instead of several individual producers and minimize relevant costs that are eventually transferred to the farmers. Ziraat has 1.800 branches around Turkey and covers most of the rural areas. Loan officers visit most remote areas at least once a year. The bank is on the brink to establish a cooperation with the Agricultural Insurance Company which will expand even more Ziraat's coverage in the remote rural areas (the agricultural insurance company has developed the largest network of representatives in the remote rural areas of the country, including the uplands).

42. The second largest state-owned bank targeting agriculture is VakifBank, while the largest participation of the private banks in the rural areas belong to Denizbank, followed by IS bank. VakifBank offers some of the largest services in Turkey (leading role in trade) and operates 924 branches. It is reaching out its corporate and individual customers in a most efficient manner through its internet and telephone banking services. It recently inaugurated the AgriCard through which it offers farmers up to 6 months interest-free input purchase from affiliated input suppliers, producer unions, irrigation unions or chambers of agriculture. Farmers can also enjoy maximum 12 months maturity and flexible repayment methods through its large network of POS (more than 200,000 units) that constitute its alternative distribution channels.

43. DenizBank operates 724 domestic branches and offers comprehensive agriculture banking services: agricultural loans, producer card, farmer card, insurance, etc. Agricultural loans include: an overdraft account maturing at harvest time (the bank pays electricity, water, telephone and natural gas bills on time and the farmer pays back at harvest time); loans which are given in order to provide all kinds of agricultural input such as seeds, fertilizer, young trees, irrigation, weeding, fuel oil, pesticide and feed (spot loans, revolving loans, agricultural loans with instalments); IPARD loans for projects; rural development loans for matching grants; loans lent by receiving ware receipts issued on behalf of the farmer against vegetative crops delivered by the farmer to the Turkish Grain Board; loans to pay social security contributions. Furthermore the bank introduced the Producer Card (an innovation) which provides agricultural working capital with repayment schedule defined according to the production pattern (once a year, not monthly like a credit card). DenizBank offers also the Farmer Card (a concept similar to VakifBank's AgriCard) and TARIM+ (together with SBERBank) to finance investments in greenhouse soilless agriculture, dairy cattle breeding and orcharding.

44. Isbank has the largest branch network among private banks in Turkey and continuously extending coverage (1,400 branches). 76 of the branches are already in the targeted upland areas. Isbank offers dedicated services for the agriculture sector and has developed a special organization and segmentation for agricultural banking. "Agricultural banking units" established in branches with high agricultural potential offer specialized services for its agricultural clients. The bank has already a TRY 3 billion agricultural portfolio and the average agricultural loan is TRY 12,000 indicating that the bank supports agriculture even at micro level. It charges an average interest rate of 16% (like most private non-subsidized banks).

45. A number of other banks offer also dedicated agricultural services like FinanzBank which support agricultural innovation and has an agricultural loan portfolio of TRY 3 billion, but average loan size is around TRY 70,000, serviced by 200 relationship managers dedicated to agriculture; Yapi Kredi currently offering 20 different types of agricultural operating and investment loans, 7 insurance products and 2 special cards for farmers; Fibabanka, ING and HSBC which supported by the European Fund for Southeast Europe (EFSE). In the next coming years, banks are expected to be offering comprehensive packages of value chain financing, as they are now becoming gradually familiar with idea of agricultural value chains. The farmers will then benefit from integrated value chain financing products: Trade credit, input supplier credit, marketing company credit, lead firm financing / contract farming (product based); trade receivable financing, factoring, forfaiting (accounts receivable based); warehouse receipt finance, re-purchase agreements, leasing, risk mitigation, insurance, forward contracts, futures financial enhancements, securitization, loan guarantees, joint ventures (physical asset based).

46. Farmers can also turn to the Agricultural Credit Cooperative (ACC) for credit to support their production schedule. The ACC covers geographically most areas of rural Turkey with its 1625 unit cooperatives. It offers credit in cash or in kind, access to processing facilities and subsidized inputs. Local cooperatives can be offered up to a maximum of TRY 50,000 for each member (more with authorization from the regional office – the average loan is TRY 17,000) for seasonal requirements with maturities of one year, or investments with maturities of up to three years. They require mutual guarantees and charge a highly subsidized 4% interest rate. In fact ACC is also borrowing from Ziraat bank and successively sub-lending to its members. The collection rates are reported to be high (more than 95%) and the NPL ratio in 2016 did not exceed 3%.

47. Collection rates in agricultural loans are high in Turkey and therefore an incentive for banks to further invest in the sector. In 2016 the average NPL ratio in the agricultural sector (including fisheries) was 2.8% (1.6% in public banks and 5.6% in private) which compared to the 3.3% average NPL in total loans and 4.2% in SME loans makes agriculture a good performer<sup>62</sup>. With one third of total bank assets held by state-owned banks, the risks stemming from high loan and NPL growth are a risk to the government budget, both on the revenue side (profits from state holdings) and on the expenditure side (support for state-owned banks).

48. **Table 13** below depicts a selective sample of banks' exposure to agriculture. It also indicates that the average size of loans addressed to the rural areas ranges between USD 3,000 and USD

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<sup>62</sup> Data: MSME facility, CBRT.

15,000 amounts that correspond to the demand side of URDP's target group. Several banks have dedicated services and mobile teams to service remote areas. Maturity of loans ranges from 6 to 12 months for seasonal loans and from 12 months to 84 months for investment loans. NPLs are relatively low, compared to other economies' agricultural credit and range from 2% to 5%.

**Table 13: Data on Agricultural Loans**

INDICATORS	GARANTI	DENIZBANK	İŞ BANKASI	TEB	YAPI KREDİ	FİNANS	ŞEKERBANK
Agri Loan Portfolio Loan ('000 000 TRY)	1,700	8,000	2,000	2,500	2,100	2,400	2,000
Average Size of the Loans (TRY)	56,000	16,000	14,000	22,000	28,000	45,000	24,000
# Agri Loans credit officers	20	550	24	175	125	150	160
Dedicated rural services	Mobile team	Mobile Team and Special Credit Cards	n.a.	Mobile teams	Mobile Teams	n.a.	Mobile Teams
Agricultural Credit Interest Rate (%)							
Seasonal Loans	17.4	19.0	16.0	16.0	17.0	16.0	18.0
Investment Loans	20.4	22.0	18.0	18.0	19.0	18.0	20.0
Commission Fees (TRY)	550	600	550	500	500	450	450
Maturity							
Seasonal Loans	up to 12 months	up to 12 months	up to 12 months	up to 12 months	up to 12 months	up to 12 months	up to 12 months
Investment Loans	up to 60 months	up to 84 months	up to 60 months	up to 72 months	up to 60 months	up to 60 months	up to 60 months
NPL (%)	2.10%	5.50%	3.00%	2.10%	4.50%	2.80%	5%

Source: Interviews with banks

49. Currently the main impediment for farmers to access finance is the lack of collateral. Most banks request for collateral to extend investment loans. Farmers articulate their lack of ability to produce asset based guarantees making collateral as their perceived main impediment for accessing investment credit<sup>63</sup>. By producing a mutual guarantee - in which they have to back each other in case of default – farmers often succeed to bypass the issue of collateral. In January 2017, the introduction of the Commercial Movable Pledge Law that sets forth a publicly registered pledge regime for movables with advantages on the foreclosure process, will allow loan applicants to be able to utilize their movable assets more effectively as a source of collateral for their loans. Once the Movable Assets Registry is in place, loans can be taken over contingent movable assets, such as future cash flows, receivables and assets to be accrued (cash flow based lending rather than asset based lending).

50. The development of agronomic risk assessment tools and mechanisms is another way to overcome the issue of collateral. To this effect a number of banks together with the MSME Finance Facility<sup>64</sup> developed a credit evaluation system that take into account the dynamics of the agriculture sector so that banks can make credit requests properly. The Agricultural Loan Evaluation System (known by its Turkish acronym TARDES<sup>65</sup>) was developed by EBRD and was transferred to the Credit Bureau of Turkey (KKB) in 2014. Banks using it can now make more accurate assessment of the risk inherent in agricultural investments. Some banks use their own evaluation systems while others use TARDES. A team of agriculture experts from the Frankfurt School of Finance and Management collects agronomic data from all provinces of Turkey and updates TARDES. Based on this tool, banks can have an initial risk assessment of loan application on agronomic terms using a scorecard from TARDES. The reports provide basic information on: a) production data in Turkey and the world; b) specific cultivation techniques and specificities of selected products; c) description of production cycles; e) yield and producer sales price range; f) price elasticity; g) storage conditions; h) import – export conditions and main buyers; i) government subsidies, if any; j) minimum economic size to cover living expenses. In addi-

<sup>63</sup> 78.9% of participating farmers in the agricultural finance field survey declare that collateral/guarantee/guarantor is the number one constraint in obtaining a loan from a bank. The second main constraint is their fear to not be able to repay their debts. Turkish farmers are reported to be proud in nature and not comfortable to accept failure and default in their financial obligations. This assertion is backed and partially explains the fact of relatively low NPLs in agriculture.

<sup>64</sup> Turkey-Micro, Small and Medium Sized Enterprise Finance Facility (MSME), combines long term loans by the European Bank for Reconstruction and Development (EBRD) with advisory and training components to a number of selected Turkish partner banks. The TA component of the program was launched in November 2010. EBRD, has provided finance amounting to more than EUR 1 billion for over 32,000 agricultural businesses across the country.

<sup>65</sup> In order to ensure the sustainability of CAP Tool developed in EBRD MSME Finance Facility and enable CAP-user partner banks and other banks in the sector to continue / launch agricultural lending activities, CAP Tool has been transferred to Credit Registry Bureau of Turkey (KKB) in the third phase of the program. The program is called "TARDES" (Agricultural Loan Evaluation System).

tion, TARDES offers a sector report that includes: a) economic assessment of agriculture sector and agricultural loan portfolio development; b) effects of Syrian internal conflict on Turkish agriculture sector; c) effects of drought on agriculture; d) effects of frost on agriculture; e) region based field observations & expectations; f) product based field observations & expectations. The sector report permits cooperating banks to have an insight on the effects of recent developments in the sector, reveal opportunities and threats and provide recommendations. Currently there are seven cooperating banks, but KKB is open to include all the banks involved in agricultural credit. Ziraat Bankası, Halkbank and Türkiye Finans Katılım Bank are considering the utilization of TARDES. TARDES subscription costs TRY 5,000 plus an additional TRY 1 per query.

51. The government started recently to offer partial guarantees in an effort to boost credit to SMEs (including agribusiness) and fight the economic slowdown, by investing TRY 25 billion in the Credit Guarantee Fund (KGF) to leverage TRY 250 billion of loans from banks. Partial guarantees and other risk sharing arrangements are being used as a tool to minimize risk from lenders unable to meet collateral requirements. In this case the Treasury counter-guarantees and KGF guarantees between 60%-90% of the banks' loans to targeted economic sectors for up to a maximum of 7% default rate. KGF is a non-profit organization established by cabinet decree in 1993. It is a public joint stock company with 40% private, 60% public shareholder structure. As a guarantee institution, KGF provides access to finance for those SMEs that cannot benefit from bank loans due to insufficient collateral, by assisting them as a "joint guarantor". For loans that are backed by the Treasury's counter-guarantee (Undersecretariat of Treasury), KGF does not conduct due diligence. It entrusts the evaluation of the creditworthiness of the loan applicant to the rating done by the bank extending the loan. Since January 2017 when the Treasury committed TRY 25 billion as counter guarantee, KGF selected 27 banks and assigned a quota to each of them for the maximum amount of credit it guarantees. The maximum leverage allowed is 10 times the guarantee i.e. TRY 25 billion of guarantee will leverage up to 250 billion of loans. The Treasury started with 20 billion initially and plans to release the remaining TRY 5 billion gradually. The coverage is up to 90% for SMEs and lower for larger companies. That would mean that for a loan of TRY 100,000 extended by a bank, KGF guarantees TRY 90,000. The maximum loss KGF (and by extension the Treasury) may incur is the 7% cap it imposed on top of the 90%. That would mean that if all loans defaulted KGF would reimburse only 7% of the total amount it guaranteed to each bank, thus giving every incentive to the banks to conduct meticulous risk assessments. The historical NPL rate for loans extended under KGF guarantees is 4% on average. The whole procedure from loan application until first credit instalment does not exceed one week. The Treasury will be using part of the remaining TRY 5 billion to replenish the fund for incurred losses, thus maintaining KGF's sustainability. KGF has been operating for around 25 years with a similar replenishment mechanism through funds allocated by its shareholders.

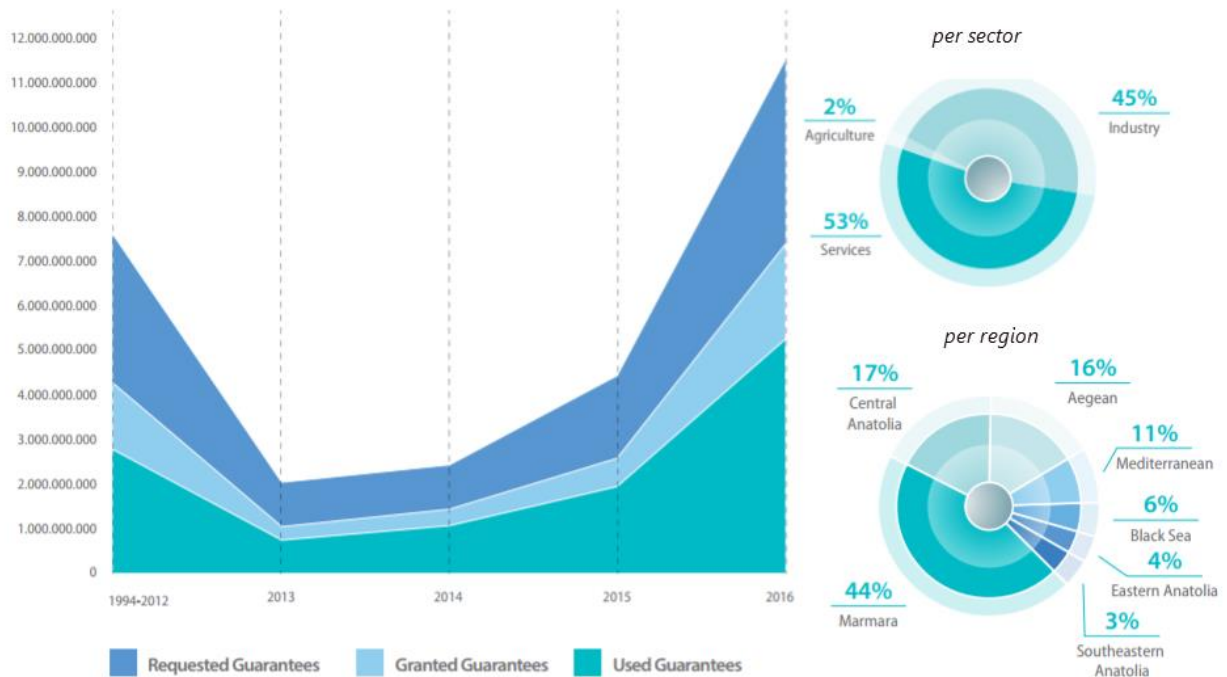
**Table 14: KGF Track Record on Guarantees Underwritten**

KGF GUARANTEES BY YEARS			
YEAR	GUARANTEE PROVIDED		CREDIT VOLUME REALISED
	NUMBER OF REQUESTS	AMOUNT (TRY)	AMOUNT (TRY)
1994-2009	6,577	1,088,573,805	1,549,553,533
2010	3,090	938,956,126	1,302,374,573
2011	3,207	1,123,693,024	1,622,244,523
2012	5,517	1,114,078,429	1,553,360,442
2013	2,760	1,061,378,253	1,467,406,113
2014	5,262	1,391,917,903	1,887,621,435
2015	6,667	2,445,967,341	3,324,047,085

Source: KGF, note that only requested subsequently underwritten are included.

52. KGF is currently the largest SME guarantee facility in the world. It operates since 1994 and issued TRY 12.3 Billion worth of guarantees. 53% of the guarantees are addressed to investments pertaining to services, 45% to industry and only 2% to agriculture. 44% of the guarantees were directed to the Marmara area, 17% to central Anatolia and 16% to the Aegean. TRY 4.3 Billion were funded through own equity while the rest backed by counter-guarantees from Treasury.

**Figure 10: KGF Guarantees per year, per sector, per region**



53. The commission income of KGF has increased to TRY 39.7 Million in 2016 (an increase of 95.11%). The operational loss carried forward over the past three years was therefore replaced by an operational profit. The 2016 operation period has ended with net profit of TRY5.5 Million.

54. The modalities of the KGF include: a) KGF does not charge operating cost to the Treasury (cost is absorbed by the banks and the loan applicants), b) selection criteria, focal sectors and type of beneficiaries can be at any point imposed by the Treasury, c) criteria for the selection of PFIs include portfolio performance, commitment to beneficiaries and credit review, d) KGF provides comprehensive statistics to the Treasury on loan performance once every month, e) trigger for calling guarantee is 90 days after non-payment, with the bank being required to start legal procedures to recover dues in default, f) guarantee granted by KGF must be used within 6 months, g) new loan capacity can be created with repayments of existing loans taken with KGF guarantee, h) all relevant authorities will supervise and regulate the effect of the system to macro economy.





## Appendix 2: Poverty, targeting and gender

### Poverty Status in Turkey

55. **Poverty levels have been significantly reduced but remains of concern especially in rural areas.** There has been consistent poverty reduction in Turkey since the early 2000s. Remarkably, 89 percent of this decline has been driven by growth. The most recent figures show that absolute poverty decreased from 23.8% in 2003 to 13.3% in 2006, 4.4% in 2009 and at 1.6% in 2014<sup>66</sup>. However relative poverty as measured by the share of the population earning less than 50% of the median disposal income is higher (at 18% in 2012 and according to national sources at 15% in 2014) and also highest in European context.

56. According to a recently published World Bank study (2016)<sup>67</sup> which analyses poverty trends at regional and sub-regional level, the process of poverty alleviation has been uneven across regions. In particular, the central and southern parts of the country (e.g. Mediterranean and South-eastern regions) were significantly more successful in poverty reduction than the Eastern mountainous areas. Poor regions in the East have not succeeded in reducing poverty at a similar rate to the West. In fact, poverty has increased in certain parts of Eastern Turkey.

57. The World Bank study applies econometric techniques of survey to survey imputation to estimate poverty rates at the NUTS2<sup>68</sup> level (26 regions in Turkey) by combining information from the Survey on Income and Living Conditions (SILC) and the Labor Force Survey (LFS) both undertaken by the Turkish statistical institute (TurkStat). As a result of the imputation, poverty is measured as total household income poverty in per capita terms. The two surveys, differently from the Household Income and Consumption Expenditure Survey (HICES, which is the national survey that is used to measure poverty), provide geographic identifiers.

58. The study reports that in terms of imputed income poverty, the country has been able to reduce its poverty level at the \$5/day 2005 PPP (moderate) line but has not been able to expand this performance to the \$2.5/day 2005PPP (extreme) poverty line between 2006 and 2013. During this period, moderate poverty decreased slightly from 23.80 to 22.22 percent while extreme poverty rose from 5.46 to 7.62 percent.

**Table 15: Historical poverty rates**

Poverty Line	Year	Poverty Rate (% , \$PPP)	Standard Error
5	2006	23.80	0.37
5	2007	25.23	0.38
5	2008	26.67	0.39
5	2009	25.39	0.33
5	2010	24.91	0.32
5	2011	23.46	0.29
5	2012	22.76	0.27
5	2013	22.22	0.28
2.5	2006	5.46	0.20
2.5	2007	6.07	0.22
2.5	2008	7.21	0.22
2.5	2009	6.23	0.20
2.5	2010	5.91	0.19
2.5	2011	5.85	0.19
2.5	2012	6.60	0.17
2.5	2013	7.62	0.19

*Notes:* OLS imputed income poverty, spatially deflated. Poverty estimates have standard errors.  
*Source:* LFS, SILC 2006-2013; authors' calculations.

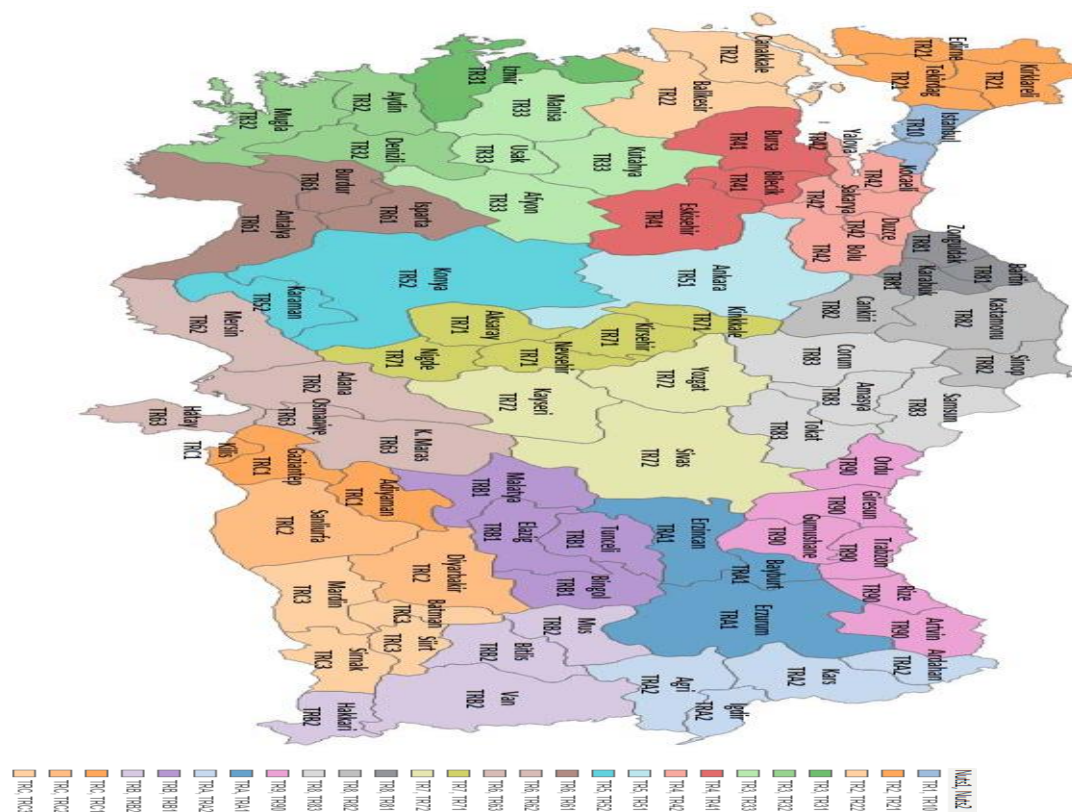
59. The increase in the poverty gap is prevalent across most NUTS2 regions: Between 2006 and 2013, only one out of the 26 statistical regions, (TR61 which include Antalya, Isparta and Burdur ), experienced a fall in its poverty gap. The other statistical regions, despite experiencing overall a reduction in moderate poverty, did not experience a poverty gap reduction. In this respect, even though Turkey was successful in moving people out of moderate poverty after the crisis, a similar achievement was not accomplished in lessening the depth of poverty. A full list of Turkey statistical regions (NUTS) is presented in the figure below:

<sup>66</sup> World Bank: Country Overview Turkey Data.

<sup>67</sup> *When and Where Do We See Regional Poverty Reduction and Convergence? Lessons from the Roof of Turkey*, WBG, January 2016

<sup>68</sup> Nomenclature of Territorial Units for Statistics (NUTS)

Figure 11: List of statistical regions



60. **URDP targeted provinces:** URDP targeted provinces belong to NUTS2 level and are classified as following: Mersin, Adana TR62, Osmaniye TR 63, Sinop, Kastamonu, Kanciri TR 82 and Bartın TR 81. In the case of TR 63 and TR 81 they are calculated with other provinces that are not URDP targeted areas. The table below show an indicative overview of poverty level by statistical category reflecting the information reported above: A reduction of moderate poverty and an increase of “extreme” poverty (at \$ 2.5 PPP) in those regions from 2006 to 2013. Thus, extreme poverty increased in TR62 from 5.36 to 6.10; in TR63 from 6.21 to 7.63; in TR82 from 2.69 to 4.00 and TR81 from 2.95 to 3.82.

Table 17: Poverty at USD 2.5 PPP

Label	2006	2007	2008	2009	2010	2011	2012	2013
TR10	0.84	1.24	1.76	1.66	1.65	1.85	2.11	2.61
TR21	2.50	2.10	2.41	1.93	2.30	2.15	2.39	2.85
TR22	2.70	2.60	2.97	2.63	2.77	2.46	2.82	3.41
TR31	1.94	2.06	1.54	1.61	1.44	1.44	1.77	2.12
TR32	2.67	2.99	2.73	2.78	2.22	2.31	2.44	3.14
TR33	2.38	2.74	2.72	2.71	2.00	1.95	2.36	3.12
TR41	1.23	1.29	1.63	1.68	1.85	1.58	1.73	2.09
TR42	1.63	1.85	2.56	2.68	2.52	2.22	2.55	2.86
TR51	1.71	1.71	1.91	1.72	1.90	1.62	1.95	2.36
TR52	2.58	2.83	2.63	2.51	2.49	2.29	2.84	3.43
TR61	6.14	5.19	5.12	3.48	3.22	3.91	4.25	4.84
TR62	5.36	4.93	5.51	4.01	3.60	4.34	5.21	6.10
TR63	6.21	5.60	6.99	5.42	5.05	6.16	6.76	7.63
TR71	3.72	4.80	5.79	5.62	4.47	4.41	5.33	6.08
TR72	3.89	5.36	6.05	5.02	4.45	4.54	5.40	6.17
TR81	2.95	4.46	5.10	3.39	2.52	2.58	3.18	3.82
TR82	2.69	4.52	5.35	4.29	3.52	2.91	3.31	4.00
TR83	3.93	5.43	6.00	4.90	3.77	3.02	3.64	4.64
TR90	2.89	3.27	4.10	4.26	4.14	3.87	4.15	4.75
TRA1	7.17	9.80	12.36	8.83	9.31	11.82	12.97	15.13
TRA2	11.24	17.40	21.45	17.48	16.06	18.50	19.20	22.83
TRB1	8.51	8.73	12.70	11.44	12.70	12.39	14.42	17.19
TRB2	19.11	19.84	26.96	24.82	26.60	23.98	25.35	28.22
TRC1	20.60	22.92	25.80	21.03	19.55	19.80	22.20	23.02
TRC2	24.68	26.17	30.62	27.27	25.39	23.76	26.79	31.19
TRC3	23.09	25.82	30.82	25.31	22.53	20.62	24.81	26.87

Notes: LFS imputed data using OLS, regionally deflated. Poverty estimates have standard errors.  
 Source: LFS, SILC 2006-2013; authors' calculations.

Table 16: Poverty at USD 5 PPP

Region	2006	2007	2008	2009	2010	2011	2012	2013
TR10	9.13	11.12	13.21	13.49	14.03	14.02	12.86	12.50
TR21	17.71	17.11	18.10	16.18	18.14	16.50	15.22	14.45
TR22	18.74	18.37	19.68	18.76	18.75	16.36	15.37	14.87
TR31	15.27	15.25	13.56	13.71	12.96	12.31	12.02	11.47
TR32	18.53	19.64	18.62	19.31	17.22	16.04	14.80	15.03
TR33	17.69	19.14	18.96	19.45	16.06	14.80	14.52	14.94
TR41	11.44	12.19	13.42	14.67	16.21	13.87	12.35	11.61
TR42	13.73	14.46	16.83	18.93	19.01	15.94	15.11	13.65
TR51	13.13	13.67	13.12	13.59	14.36	12.49	12.07	11.50
TR52	18.13	19.40	17.98	18.42	18.06	16.20	16.27	15.60
TR61	29.86	28.03	27.19	22.55	21.81	22.47	21.31	20.34
TR62	27.35	25.96	26.77	22.78	21.80	22.22	22.14	21.46
TR63	30.76	29.84	31.65	28.60	27.63	28.09	27.13	26.03
TR71	22.56	26.39	27.31	26.77	24.17	21.91	21.71	20.29
TR72	22.19	26.96	27.55	25.21	24.23	22.30	22.17	20.63
TR81	20.35	25.24	26.43	23.30	19.90	18.12	18.43	17.58
TR82	19.89	24.55	26.34	24.41	21.89	18.61	17.56	16.71
TR83	23.81	28.01	28.66	26.58	23.19	18.99	18.54	18.78
TR90	20.00	21.32	23.18	24.48	24.06	21.60	20.07	18.77
TRA1	32.23	36.82	39.90	34.86	37.43	39.83	37.78	37.45
TRA2	42.96	52.25	57.07	51.87	50.19	51.41	48.30	49.06
TRB1	34.32	35.22	41.87	39.54	42.16	39.57	39.84	40.16
TRB2	55.86	56.44	61.44	58.60	61.49	57.47	56.08	55.55
TRC1	57.90	60.27	62.06	55.84	54.02	51.77	51.03	47.31
TRC2	63.31	63.45	67.88	63.23	60.71	56.73	57.88	58.80
TRC3	61.51	64.71	69.24	62.77	60.21	55.36	57.65	56.96

Notes: LFS imputed data using OLS, regionally deflated. Poverty estimates have standard errors.

61. **The poor are overrepresented in rural areas.** There continue to be substantial socio-economic development disparities in contemporary Turkey between rural and urban areas, between lowland and upland areas, and between the western and the eastern provinces of the country. Poverty is now concentrated in the remaining rural population, with a rural poverty headcount ratio of approximately 5.13% at national poverty line versus 0.64% among the urban population (2013<sup>69</sup>, TurkStat). Poverty rates have fallen much faster in urban areas – rural poverty headcount ratio was 1.6 times higher than urban rates in 2002 (38.8% rural vs 24.6% urban) but had increased to 8.0 times higher by 2013 due to the rapid decline in urban poverty. As a result, the far higher poverty rates in rural areas now means that 75% of all poor people live in rural areas. Furthermore, rural poverty disparities show higher concentration of poverty in upland areas, especially in the forest villages and villages neighbouring forests.

62. **Forest villages have higher poverty incidence** Forest villages are those containing a forest within their administrative borders. They typically have a living standard far below the national average, limited education and healthcare services and high unemployment rates. Today, Turkey has more than 21,000 forest villages; their combined population is 7 million (10 percent of Turkey's population), although it has been declining with rural-to-urban migration. Forest villagers depend on traditional animal husbandry, low-productivity agriculture and forestry work<sup>70</sup>. These villages are classified by law according to their relative location to the forest: i) In-forest villages: surrounded by forests from all directions, comprise 41% of the total number of forest villages, and ii) Forest-neighbouring villages are those that have common boundary with a forest from 1-3 sides, comprise 59% of the total.

63. **The causes of rural poverty are complex.** In addition to the migration, small land area holdings, climate vulnerability, it is also evident that the low incomes derived from agriculture stem primarily from weak links to markets and low competitiveness of the outputs produced. This, in turn, is caused by constraints on both supply and demand sides that together form a vicious circle which is hard to break. On the supply side, farm size, farming patterns, problems related to innovation, lack of post-harvest storing facilities, handling and packaging, are the main causes for limited marketing opportunities available to rural producers. This in turn is linked to demand side failures, i.e. the underdevelopment of vertically coordinated supply chains that could play a key role in driving demand for agricultural produce in line with market requirements. In addition to the above, there are also socio-economic aspects of poverty such as inequality and exclusion of specific groups to access key services and assets. The causes are grounded into socio-cultural practices and gender roles that exclude specific social categories from decision making and access to productive resources.

64. **National commitment to poverty reduction.** A more balanced regional development pathway is a relevant and vital policy issue in Turkey. The National Strategy for Regional Development (NSRD, 2014-2023) demonstrates the Turkish government's specific commitment to reducing regional differences, as it offers strategies from a regional perspective to promote growth and development. Turkey's Tenth Development Plan (2014-2018) and NSRD both aim to reduce regional disparities and increase competitiveness at the regional level.

65. **IFAD support to poverty reduction:** In line with the above strategy to reduce inequality and disparities across regions, especially those resulting as poorer and more disadvantaged, IFAD supported interventions focus on regions that, compared to the overall country development, are lagging behind. As rate of poverty reduction in the Eastern mountainous areas have not shown successful results as the rest of the country and the poor regions in the East have not succeeded in reducing poverty at a similar rate to the West, they represent priority areas for IFAD support in Turkey to reduce poverty and regional disparity. Furthermore, as concentration of poverty is in rural areas, in particular in the uplands villages, the geographic targeting of URDP will consequently reach out to these areas, with particular focus on women as they are more likely to face poverty than men. The population in the uplands include semi-subsistence farmers<sup>71</sup> whose monthly income is below TRY 2,000. This group fall into the category of "extreme" poor as described by the World Bank study (2016) thus being of priority for IFAD's mandate on poverty reduction.

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<sup>69</sup> 2013 is the most recent year for which rural urban disaggregated data is available.

<sup>70</sup> FAO 2010, Unasylva 235, V o I. 6 1.

<sup>71</sup> More information on the target groups are presented in the targeting section.

## Target areas and target groups

66. **Target areas:** During the first phase, the programme will be implemented in two regions in a total of six provinces: The Eastern Mediterranean (Adana, Mersin, Osmaniye) and Western Black Sea (Bartın, Kastamonu, Sinop) covering 35 districts and targeting 30,000 households. In the second phase, the programme will assess the feasibility of including two additional provinces: Kahramanmaraş (Eastern Mediterranean) and Çankiri (Western Black Sea) reaching an additional 30,000 households.

67. The intervention will focus its activities in upland and transitional areas in the programme provinces where farm and pasture land is mostly above 600 m and where most of the forest villages and neighbouring forest villages are located. However, some villages located below 600 m (i.e. between 400 and 600 m) may also be selected on the basis of topographic factors: i.e. located in steep, sloping areas and presenting characteristics similar to upland villages (being particularly disadvantaged due to their location) to make them eligible for programme support.

68. Selection criteria will include geographic location (i.e. altitude) topographic factors (location in steep, sloping lands) coupled with other criteria such as socio-economic aspects, including poverty (forest villages and villages neighbouring forest are poorer) presence of active population (15-64) and young population (15-40), climatic conditions and potential for enterprise development of selected value chains of upland products.<sup>72</sup>

69. **Target groups.** A strong focus on effective targeting in MICs is needed to ensure: (i) targeting to reach the rural poor is essential to underpin the rationale for IFAD's engagement; (ii) however, it is also important to notice that the context poses some challenges in reaching the poorest, as this group primarily consists of older men and women with limited productive potential, often surviving on a combination of social transfers, pensions, remittances and backyard farming, with the latter being for own consumption and informal sales. With limited investable surplus and no access to investment credits, this group cannot drive the rural transformation that the URDP aims to catalyse.

70. Accordingly, URDP's focus will be mainly on the *economically active poor*, those remaining in rural areas that have a potential to invest time, effort and capital and thus catalyse this transformation and targeting the active population. This is also in line with the experience for/from other MICs in the region (e.g. Georgia and Moldova), which have seen similar depopulation of the rural areas, with resulting similar characteristics of the poorest. This approach has also been validated in IFAD's evaluation of its engagement with MICs<sup>73</sup>. However, it is obviously also important to guard against elite capture and hence both selection criteria and subsequent monitoring and evaluation (M&E) arrangements will ensure that benefits are accruing to the core target groups, including having 30% of women and 10% youth

71. Beneficiaries can be divided into three main target groups: (i) economically active poor producing at semi-subsistence level; (ii) economically active poor with upside potential (iii) transformation drivers (suppliers, traders or agri-enterprises). Their characteristics are as follows:

72. Economically active poor rural households, *producing at subsistence level*: These poorer households' monthly income is below TRY 2,000. Part of this income is from agriculture and forestry coupled with other incomes derived from off-farm activities and also combined with irregular remittances from seasonal migration. Households in this category constitute 60% of the total targeted households and they include three "sub-groups" categories.

- (a) *Mixed farming poor households*: These include poor men and women farming small areas of land of up to 0.5 ha (5 decares); growing some fruits / vegetables; keeping some livestock (approximately 1-5 cows, 10-20 sheep/goats) and having access to rangelands for animal feed. They process cheese and other products for household use and occa-

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<sup>72</sup> I.e. coastal activities and fisheries will not be considered.

<sup>73</sup> See IFAD-IOE: IFAD's Evaluation of Engagement in Middle-income Countries' 2013.

sional informal sales. Nevertheless, proceeds from agricultural activities make a vital contribution to the viability of their livelihood by supplementing non-farm income.

- (b) *Yörük*: these include 120-150 large families of semi-settled transhumant pastoralists. Those families are involved in rearing of animals (mainly goats) and dairy production. They reside part of the year along the coastal area (mainly in Mersin province) where they keep their animals during the winter and combine their livelihood with petty agriculture production for self-consumption. Before summer they migrate in the upland areas for 6 up to 8 months where they have access to the rangeland for their animals. They live in tents (traditional/plastic) or very rudimentary houses lacking most of services, including electricity due to the very remote and disadvantaged locations. They sell their products through informal markets and along the roads directly to buyers.
- (c) *Young rural entrepreneurs*: These include (i) young men and women (below 40 years) who are engaged (on full time or part time basis) in rural activities at subsistence level with an interest to further expand their activities to make it as a business and increase their income; and (ii) unemployed (or seasonal workers at minimum wage) young men and women who are not directly engaged in rural activities and represent *new entrants* who are interested to explore the sector, identify and engage in better employment and self-employment opportunities offered by the cluster development.

73. **Economically active poor with upside potential** are men and women smallholders and/or small-scale processors who typically own 1 ha of farm land (often orchards); 10 or more cows; 50-100 sheep and goats, and 100 -150 bee hives. They have sufficient labour and skills as well as access to natural resources, including rangelands areas, but lack affordable inputs, finance, connectivity to networks and markets, technical capacity and scale. They process a range of products (e.g. milk, meat and honey) which are sold through formal and informal outlets such as neighbours, friends and seasonal residents spending summer in upland areas. Monthly income is above TRY 2,000. Agriculture provides more than 50% of their annual income and being close to full time involved in the activity, they have the potential to provide consistent increased volumes and quality of their output to meet safety compliance standards and market requirements. They represent 35% of the targeted households.

74. **Transformation drivers** include lead farmers, agro-enterprises and processors who can serve as aggregators and models to demonstrate the viability of new approaches to increase rural resilience and provide potential development pathways for the poor, including generating employment opportunities. In the economic development cluster-based approach, the private sector will play a crucial role in driving market-led enterprise growth and provide commercial outlets opportunities for smallholders. They are 5% of the targeted beneficiaries.

75. **Targeting strategy.** Targeting will take place in a three-stage process: (i) geographic targeting; (ii) cluster selection; and (iii) beneficiaries' selection, with specific targeting measures to ensure outreach to poorer smallholders, women and youth.

## Human development, gender and youth

76. **Human development. Human development index:** In UNDP's latest Human Development Report (2016), Turkey's Human Development Index (HDI) stands at 0.761, placing it in the "High Human Development" category, ranking 72th out of 188 countries. However, when the value is discounted for inequality, the HDI falls to 0.641, a loss of 15.8 percent due to inequality in the distribution of the HDI dimension indices, with income inequality at 21.8%. and with the Gini index (WB data) rising from 38.7 in 2010 to 39.0 in 2011 and to 40.1 in 2013, which is high in a European context.

77. **Gender inequalities.** The Gender Development Index (GDI) and the gender inequality index from 2016 shows that female HDI value for Turkey is 0.724 in contrast with 0.797 for males, resulting in a GDI value of 0.908 with Turkish women living longer than men (78 vs 72) but with lower income

than men (10,648 vs 27,035)<sup>74</sup>. Women face a higher risk of poverty than men in both urban and rural areas, but the gap is less significant for urban residents.

78. The Gini coefficient at regional level (2011 statistics) show that GINI scores goes from 0.31 to 0.40 having the Mediterranean region as the higher.

**Table 18: Gini at regional levels**

Regions	Gini scores
Eastern Black Sea	0.31
Eastern Marmara	0.32
Western Black Sea	0.32
Istanbul	0.36
Western Marmara	0.36
Central Anatolia	0.36
Western Anatolia	0.37
North Eastern Anatolia	0.38
Aegean	0.39
South Eastern Anatolia	0.39
<b>Turkey Overall</b>	<b>0.39</b>
Mediterranean	0.4
Central Eastern Anatolia	0.4

Source: Raziye Selim, Öner Günçavdı and Ayşe Aylın Bayar, *Türkiye’de Bireysel Gelir Dağılımı Eşitsizlikleri: Fonksiyonel Gelir Kaynakları ve Bölgesel Eşitsizlikler*, Publication No: TÜSİAD-T/2014-06/554 (June 2014), 123.

79. **Gender policy** National policy on the advancement of women and gender equality is contained in circulars issued by the Prime Minister, a national action plan and sector-specific plans. In addition, gender concerns are mainstreamed in five-year national development plans. Implementation of equality goals and targets are the shared responsibility of line ministries, other government offices and civil society organizations. Turkey’s first National Action Plan on Gender Equality (2008-2013) was drafted within the scope of the EU accession framework, and it outlined nine priority areas for promoting gender equality, including the development of gender equality, education, economy, poverty, decision-making mechanisms, health, media, environment, human rights and violence. Although the term of the plan is now complete, a new national action plan has not yet been adopted. A draft National Action Plan on Gender Equality for 2014-2018 was discussed in 2014 but has not been formally adopted to date.

80. **Gender institutional framework provisions for rural women.** The National Action Plan on the Empowerment of Rural Women (2012-2016) aims to improve the position of rural women, promote the gender sensitivity of the agricultural sector, improve Turkey’s international indicators and ranking in statistical data on women, and integrate rural women in national development studies. The Action Plan involves nine axes of development across four strategic areas, namely: (1) rural areas and women (poverty, education, health); (2) the role of rural women in agricultural production and marketing (agricultural production, entrepreneurship and marketing); (3) women and natural resources (use and management of natural resources, protection of natural resources); and (4) employment and organization of rural women (agricultural employment and organization, social security).

81. **Women entrepreneur programme:** In the area of agricultural entrepreneurship, the Ministry of Food, Agriculture and livestock (MFAL) initiated a programme in 2014 to support women to become individual entrepreneurs through the provision of training, grants (up to TRY 30 000) and zero-interest loans (up to 70 000 Turkish lira).

82. **Challenges for rural women.** Constraints such as lack of assets, capital and access to institutional credit, competing use of time, poor technical skills and lack of access to extension services affect women more than men. Low presence of women in formal institutions and organisations (i.e. cooperatives, associations, local committees) limit their ability to have voice and have access to decision making.

83. Women have limited access to profitable economic opportunities. Their activities in rural areas tend to correspond with their role in housekeeping and are also those that would be more easily combined with domestic work. For this reason, women contribute important labour in activities such as feeding and milking animals (goat/lactating cows) but they have a minimal role in income-producing activities, such as selling animals or cheese.

<sup>74</sup> Calculated on the basis of 2011 PPP \$.

84. For example, in the goat farming sector, activities are conducted almost entirely by family members, and there is a fairly rigid gender division of labour: Grazing, barn disinfection, vaccinating, bathing the goats, shearing and selling goats and cheese are “male” activities, while milking, making cheese and barn cleaning are almost exclusively “female” work. Notably, men tend to be responsible for activities that demand more physical labour and being away from home, such as shearing, disinfection and grazing.

85. Although forestry activities are mainly dominated by men, women also have a role and they spend a significant amount of time gathering non-timber forest products such as plants, fruits, mushrooms, herbs, pinecones and wild nuts. They usually use forest resources as a source of income and also as a mean of sustaining the family by providing food, medicine and fuel for the family and fodder for livestock.

86. **URDP intervention to promote women's empowerment:** To close the gender gap and strengthen women's participation as economic actors in the economic development clusters, as well as strengthening their participation in the public sphere, the programme will: (i) promote women's participation in economic development clusters and value chains activities on an equal foot as men; (ii) assist them to move out of low input-low output activities and to develop their entrepreneurial and business skills; (iii) to gain equal access to financial services; and (iv) to play an active role in key organisations (i.e. Multi-stakeholder Platform and other organisations formed by the programme).

87. Women and men of different ages and socioeconomic categories will be given equal chances to participate in URDP activities and obtain equal returns. This will be achieved investing in capacity development at all levels and ensuring women's direct participation in key activities planned by the programme. Although all activities are suitable for women and they have an interest to participate, the programme will take affirmative action (quotas) and direct targeted interventions to ensure that programme benefits are equally and fully shared.

88. Women will be given the opportunity to have representation in the multi stakeholder platform and hence have a role in the planning process for productive infrastructure development and indirectly for the overall development of the cluster. Their presence will be key to influence the overall planning process towards being gender sensitive and capturing women's views. Quotas for women participation will be set to reach a minimum of 30%.

89. Women's group comprises different socio-economic categories with different needs and priorities. Major categories include female head of households, marries women in a male headed households, pastoralist and agro-pastoralist women from Yoruk families. Although most of challenges and constrains are similar and therefore main actions of URDP will address, the project considers specific needs for specific categories.

90. Female head of households experiences more constrains related to mobility and to access to inputs and services as well as labour shortage. Specific action to address their issues will be part of the cluster approach on service delivery.

91. Women pastoralists face specific constrains as they are away from main services including basic services, due to the remote locations of pasture lands for their grazing animals. At start up project during engagement with pastoralist communities, specific consultation will be done with women pastoralists to strategize actions against the needs and priorities.

92. The programme will introduce tools to update the capacity building tools and materials used by MFAL. Although trainings materials show to be solid and appropriate for what concern gender awareness and community sensitisation at a broad level, they seem to lack specific tools to intervene at household level. On this basis URDP will select tools from the household methodology (i.e. the visioning tool) to be adapted to the current training materials. The aim is to ensure that the current methodology for capacity development is able to address issues at household level and to support women to improve their livelihoods. The goal is to find innovative, collaborative, gender-equitable solutions in the planning and economic cluster development. This being fundamental not only for achieving the goal at collective level, but also to ensure that individual women may have equal opportunity as men to access financial support for their investments and enterprise development.

93. **Component 1. Economic Development Clusters (EDC)** will enable women to expand their economic and social empowerment by receiving trainings on improved practises for better production

and productivity; financial and business skills to enable preparation of small businesses or effectively engage in income generating activities in the selected value chains.

94. In consideration of women's: (i) low level of business development and management skills; and (ii) limited voice, leadership and decision-making capacity in organizations and business management, the component will support financial, literacy and leadership trainings for women. The trainings will work on their capacity to engage in business activities and also become leaders. This activity will support women participation in groups and enterprises, enabling them to engage in profitable income generating activities.

95. The component will also help to strengthen women's decision-making role in the household, in the community and as active participants in the multi stakeholders platform (MSP). The component will give particular attention to increase awareness of gender roles in the rural farmers' households; improve women's capacity to generate gender-equitable solutions in planning and value chain development. This will be particularly important to show the entrepreneurial side and innovative aspects that women's presence can bring about in the process.

96. The use of capacity development, i.e. visioning tools of the household methodologies, will ensure that women are part of decision-making in the household and regarding value chains (VCs) economic related activities. Furthermore, leadership trainings will ensure that women's leaders are identified and participate in the MSP meetings in a pro-active way. As part of the activities at household level, nutrition trainings will also be conducted.

97. It is estimated that 30% of MSP members will be women and the same percentage will receive direct support and services to improve their production and productivity; access to key inputs and also access to finance through cluster investment partnerships. It is estimated (at design stage) that at least 1,800 women will participate in the production/ business skills training and about 330 women will be able to present a viable business plan to be selected for receiving cluster investment partnership support. This will be different from government led intervention in this area where support is often 100% grant. Instead URDP will apply as a criteria, a personal or community contribution (i.e. also in kind, but emphasising the partnership element) with specific measure to facilitate vulnerable/disadvantaged categories to access finance. The approach is justified by the lessons learned in the country for what concern supply driven inputs and low results. Women's mobilisation, groups formation and provision of trainings (as well as other activities) will be undertaken in accordance with the 4 stages envisioned for the elaboration of the economic development clusters as described in annex 4.

98. Under **Component 2, access to finance**, women will be assisted in accessing financial services to purchase relevant assets and inputs for their economic activities. They will be supported in submitting applications to apply for financial support. It is estimated that also number of women will access formal loans from financial institutions. Financial literacy programmes will be especially relevant for women, who often have the least knowledge of credit and saving principles. Financial products and services will be custom designed to suit the need of the households who have pre-existing formal/informal loans.

99. **Specific measures** will include: (i) establishing minimum participant quotas for women in capacity building/training activities; (ii) developing the capacities of Farmers Support Team (FST) to undertake proper mobilisation of women and increase % of women providing services and, where appropriate, organising special sessions for women; (iii) ensuring that both male and female family members have access to demo plots and other technical training, with a target of at least 30% women. The programme will pay careful attention to ensure trainings respond to women's needs and to ensure their inclusion consider appropriate time, location. The trainings at the demo-plots will include topics of relevance for women: (i) animal health; (ii) milk handling and hygiene; (iv) small-ruminants and beef-dairy fattening activities; (v) animal husbandry; and (vi) marketing and also labour saving technology demonstration, such as supporting development and testing of technical innovations that could favour women's workload reduction such as labour-saving technologies for women and small-scale machineries. In addition to the above, nutrition education/sensitisation will also be conducted as part of the training.

100. **Rural youth challenges.** At country level, one of the major problems specific to youth is unemployment. It is currently at 18.9 (World Bank statistics 2016, it was 22, 8 in 2009 and declining to



19.7 in 2010). In 2010<sup>75</sup>, the rate of youth unemployment in urban areas was about 10 points higher than in rural areas, where agriculture was the largest field of employment.

101. According to statistics reported in the National Youth Employment Action Plan (NYEAP) 2011 (Turkish Employment Organisation) one of the major problems in the labour market, is informal employment<sup>76</sup> and is relatively more common for young population (age 15-24). While the rate of informal employment in general was 43.3%, (2011<sup>77</sup>) the informal employment in young population was 58.3%. The rate of informal youth employment in non- agricultural activities (47.2%) is 18 points higher than overall informal employment in non- agricultural sectors. The table below from the NYEAP

**Table 19: Rate of informal employment**

Age	2004	2005	2006	2007	2008	2009	2010
<b>TOTAL</b>							
15+	50,1	48,2	47,0	45,4	43,5	43,8	43,3
15-24	68,8	65,2	63,1	59,8	56,2	58,8	58,3
<b>AGRICULTURE</b>							
15+	89,9	88,2	87,8	88,1	87,8	85,9	85,5
15-24	98,1	97,7	98,5	98,0	98,0	96,2	96,0
<b>NON-AGRICULTURE</b>							
15+	33,8	34,3	34,1	32,3	29,8	30,1	29,1
15-24	56,1	55,0	53,7	50,1	45,4	48,1	47,2

2011 provides explanation of rates of informal employment in total population and youth (table 18) as well as rates of informal employment in youth by gender as of 2010. The table shows that the informal employment in agriculture for young women was higher than for young men ( i.e. 97.6 % vs 94.8 %).

102. Youth face particular challenges in rural areas with ever decreasing number of attractive social facilities, including schools and cultural facilities and a limited value added in agriculture, discouraging them to invest their time and energy in the sector. Some rural youth remain in the villages to engage in agriculture activities, while others seasonally move to small towns and cities (3 to 5 months). When they return to their villages they are usually engaged in agriculture activities, especially forest products, being also members of local cooperatives to access forest products and get an income. Youth in Turkey are considered those groups whose age is between 14-29, however in the implementation of specific national youth programmes, especially in the rural sector, it was found that youth as beneficiary category includes those up to 40 years old (as it is the case of the current programme).

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103. **Youth migration:** In Turkey, in addition to rural-to-urban migration mainly triggered by economic causes, migration from Eastern and South-eastern Anatolia driven by other causes is also important. In the latter, migrants mostly move to Istanbul, Izmir, Adana and Mersin outside the region and for Diyarbakır within. This migration has significant effects on labour markets in the provinces of destination. The region covering Adana and Mersin (two of URDP targeted regions) has the highest rate of unemployment in Turkey.

**Table 20: Rate of informal employment for youth**

	2004	2005	2006	2007	2008	2009	2010
<b>MALE</b>							
Total	69.7	65.6	63.0	60.2	55.8	59.3	58.7
Agriculture	97.8	96.8	97.7	96.7	96.1	94.8	94.7
Non-agriculture	61.1	59.1	57.2	54.2	49.0	52.0	51.4
<b>FEMALE</b>							
Total	67.1	64.1	63.1	59.0	57.1	58.0	57.4
Agriculture	98.5	98.4	99.2	99.2	99.2	97.6	97.2
Non-agriculture	43.2	44.2	44.4	39.8	36.2	38.5	37.1

104. Another dimension of internal migration in Turkey is seasonal migration movements. In this pattern, local population moves out for agricultural employment in specific periods of the year mainly for harvesting activities. Also, there are young people seasonally moving to cities to find jobs mainly in construction and tourism sectors. According to the latest Address-based Population Registry System data, 40-45% of unemployed rural youth seasonally migrate for jobs elsewhere. 55% of migrants in

<sup>75</sup> National youth employment action plan 2011. Sources used include statistical data, national and international studies, EU country practices, existing policy documents, action plans and strategic plans and the Guide for Developing National Youth Employment Action Plans prepared by the International Labour Organization (ILO). The preparation of the NYEAP 2011 was supported in technical terms by the ILO and other UN organizations (IOM, FAO and UNDP) as programme partners.

<sup>76</sup> *General Definition of informal employment:* The 17th International Conference of Labor Statisticians recommends that informal employment should include: (i) own-account workers (self-employed with no employees) in their own informal sector enterprises; (ii) employers (self-employed with employees) in their own informal sector enterprises; (iii) contributing family workers, irrespective of type of enterprise; (iv) members of informal producers' cooperatives (not established as legal entities); (v) employees holding informal jobs as defined according to the employment relationship (in law or in practice, jobs not subject to national labor legislation, income taxation, social protection or entitlement to certain employment benefits (paid annual or sick leave, etc.); and (vi) own-account workers engaged in production of goods exclusively for final use by their household.

<sup>77</sup> Data refer to 2011 as per (most update) available official sources provided in the National Youth Employment Action Plan.

Turkey are males, mostly of working ages. While men move out as singles, women join migration mostly after getting married.

105. **National rural youth entrepreneurship programme.** Despite the many efforts undertaken by the government to attract young people in agricultural activities, migration dynamics seem to continue. The government has undertaken a national rural youth programme to promote small enterprises for young entrepreneurs around a menu of options: i.e. bee keeping, livestock (mainly milking cows) small ruminant and crop production (greenhouses). Young men and women belonging to the poorest in a rural community i.e. not receiving any social benefit, remittances, being unemployed, can apply to receive the assets. Despite the very large number of applicants, the programme could finance only a limited number of applications. According to some feedback received during the mission, the intervention has not resulted in a gradual uptake of the technologies and skills, resulting in a number of beneficiary dropouts and in selling of the assets.

106. Lack of ownership from the investments, coupled with lack of technical trainings from the responsible institutions and lack of access to financial support, constitute the key lessons the programme will consider when working with young people and support measures targeted at them. Furthermore, the supply side model applied by the government has been counterproductive in stimulating youth to formulate ideas around their way to see the future for agriculture, thus confining them as passive recipients rather than active agent of transformation.

107. **URDP engagement with youth:** the first step that URDP will take in engaging with youth is about ensuring their active participation in the development of the cluster through the MSP. It represents a unique and innovative way to strengthen the presence, visibility and agency of social actors that otherwise will remain marginal to the process of rural development but are key to drive the expected transformation. Traditional models, roles and practises confine those actors in stereotypes that limit their full inclusion within development interventions. This is visible in the low participation of women and youth in traditional forms of organisation where the head of the household (usually adult man) is supposed to participate (i.e. village committees, cooperatives).

108. Youth active participation through the platform is expected to generate ideas and increase their motivation as well as opportunities for employment and self-employment which are suitable for them. URDP, building on the lessons from the national youth programme will adopt a different strategy and approach. URDP will not go for a call for applications on the basis of a menu of options, fully granted, but will rather engage with number of selected young entrepreneurs with strong motivation to develop their business ideas first and then their business plan in the segment (production, processing, trading) of the selected value chains. Furthermore, the programme will provide financial support in the form of cluster investment partnerships, but will include contribution from the applicant side (hence the partnership emphasis).

109. **Employment and self-employment opportunities.** To support youth employment in the rural areas, the programme will identify and promote the involvement of young men and women along the various segments of the value chains: (i) In services such as transportation, distribution and labour employed in processing centre, (ii) as well as producers, introducing through them a business-oriented approach to production and marketing. Furthermore, given the higher presence of young women in rural areas and their involvement in agriculture, the programme will place specific attention on them.

110. Youth will be consulted, selected by the Farmers Support Teams (FSTs) and then organized in groups on the basis of their interests and different degrees of participation in the programme; i.e. as existing farmers' producers or new entrants, thus being organized accordingly and receiving targeted interventions and trainings on the basis of their aspirations and interest in engaging in agricultural activities. Selection of youth will consider a screening process using questionnaire forms to determine: preparedness, having clear ideas, willingness to invest. Youth mobilisation, formation of groups as well as provision of services and implementation of specific activities will be undertaken in accordance and alignment with economic cluster development, (4 stages) as described in annex 4.

111. This is expected to benefit 450 young producers (50% men and 50% women) already engaged in agriculture but lacking capacity, skills and capital to do agriculture as a business (most of them being beneficiaries of the national youth programme). An estimate number of them approximately 90 young farmers should be able to present a viable business plan and access financial support through

the cluster investment partnerships. The cluster investment partnerships will require contribution from the applicant's side.

112. New entrants (about 400 individuals) will receive additional intensive trainings on: i) how to develop a concrete business ideas first; and then, (ii) enable the potential entrepreneurs to develop a bankable business plan. Special measures will be applicable for them to access the youth entrepreneurs start-up package , which will still require a form of contribution from the applicant side (including in kind contribution). The calendar for training will be discussed with young participants.

113. In the case of new entrants, the programme could consider using the successful methodology applied by ILO: Star and Improve Your Business (SIYB). This is one of the largest global business management training programmes. It has four training packages that respond to stages of business development. Master trainers are responsible for youth groups of 10-

114. 20 individuals and of selection, formation, training and mentoring for one year.

115. **Young leaders:** Presence of active youth representation in the MSP (between 5 to 10%) will ensure that their views and aspirations are captured during key planning processes (i.e. visioning of a shared development process) and relevant outcomes (e.g. the investment priorities) reflect the needs and innovative ideas of young farmers. The young leaders should be equally represented by young men and young women.

## Programme management

116. **Implementation arrangements for targeting and gender strategies.** Overall responsibility for project outreach among the target groups will lie with the Regional Programme Management Unit (RPMU) and especially the Project Director, the Gender, Youth and Social inclusion expert and Value Chain Experts. Activities at community level will be implemented by the gender, youth and social expert of the Farmers Support Teams (FSTs). Greater details are reported in annex 5 (implementation arrangements).

117. This team will be closely supported by the rest of the RPMU and the partners from the Regional Extension Services to maximise the opportunities for women's and youth empowerment, promoting gender equality and including semi-subsistence farmers in cluster development initiatives. Staff from RPMU, provincial and district implementers and service providers will be sensitized on importance of pro-poor outreach, gender mainstreaming and youth inclusion.

118. Furthermore, in addition to that, to ensure that economically active smallholders, poorer producers and the pastoralists are effectively participating and benefiting, the method of *eligibility criteria* will ensure that they are efficient to avoid elite capture, and adequate to promote the effective participation of the poor farmers, pastoralists, women and the youth.

119. The eligibility criteria will consider income level, to ensure that subsistence farmers will receive the priority and be more than half of total number of beneficiaries. However, beneficiaries also have to demonstrate a robust economic upside on their proposed investments. Induction training will be conducted at the beginning of the programme to train FSTs to conduct proper mobilisation and community selection. RPMU social expert at regional level will be responsible for development and fine-tuning the eligibility criteria for the specific regional context and to train the FSTs.

120. Participation in clusters' meetings will be primarily ensured through communication efforts and networking by the RPMU in general and translated into concrete actions at district level by the FSTs who will be engaged in beneficiaries' mobilisation and also selection of beneficiaries.

121. In addition to this, it will be ensured that meeting venues and timings are suitable for target groups to participate and this will also take into consideration, to the extent possible, transhumance calendar of the pastoralists. Mobilisation of farmers will not be limited in the first year, but will consider other rounds in year 3 and 4. This should ensure that more risk averse and poorer farmers will have the opportunity to enter the clusters later, once the clusters are more established and when they can learn from their "early adopter" neighbours' successes and piggy-back on the more established market linkages.

122. A gender, youth and social inclusion expert will be part of each RPMU and will work in close collaboration with the RPMU value chain specialist to develop a gender action plan and a youth action plan for URDP. Both experts will also engage in consultations with youth and women's groups to define employment opportunities along the value chains segments. The social expert will be responsible of the gender action plan and the youth action plan for implementation and reporting to RPMU.

123. The same coordination will be ensured within the FSTs whereby the two experts will have to work in synergy to ensure the above action plans are implemented. The gender, youth and social development specialist working in the FSTs will also use specific tools from the household methodology (i.e. visioning tools) as part of capacity development activities undertaken at HHs level. The same expert will also be responsible to support mobilisation strategy in consideration of pastoralist movements and put extra effort to ensure that FSTs are also reaching out to this target group.

### **Monitoring**

124. The M&E officer will consolidate and analyse the sex- and age-disaggregated and poverty data to track project engagement with households who may otherwise be excluded, and work with RPMU colleagues and service providers to strengthen youth inclusion. The M&E system will put strong emphasis on monitoring of targeting performance. All implementers, including service providers are required to provide disaggregated data on women and youth participation, in relation to overall project targets of 30% participation of women and 10% of youth. The M&E system will collect and analyse information about project outreach, effectiveness of the targeting strategy and specific benefits for women and youth. This requires strong coordination and collaboration between the M&E unit and the subject matter specialists (gender, youth and social inclusion) at all levels. Impact will be assessed on the basis of methodologically sound baseline, mid-term and completion surveys which will use key indicators to measure women's empowerment and youth inclusion.

125. **Estimates of the number of beneficiaries per activity.** Although it is difficult to estimate at design stage, the exact number and profile of components/activities recipients, the table in annex I present key outreach targets (see below).

## Targeting checklist

Targeting checklist	Comments
1. Does the main target group - those expected to benefit most- correspond to IFAD's target group as defined by the Targeting Policy (poorer households and food insecure)?	The target group includes three principal groups: (i) economically active poor producing at semi-subsistence level; (ii) economically active poor with upside potential (iii) transformation drivers. The smallholders producing at semi-subsistence level are below 2000 TL per months and their livelihoods are already vulnerable.
2. Have target sub-groups been identified and described according to their different socio-economic characteristics, assets and livelihoods - with attention to gender and youth differences?	The socio-economic characteristics of the three groups are described in terms of assets, livelihood activities and outcomes, and priority needs.
3. Is evidence provided of interest in and likely uptake of the proposed activities by the identified target sub-groups? What is the evidence?	All activities and services provided by URDP are of interests for all target groups. Some activities will benefit all groups in the geographical area of investment (participatory planning and infrastructure investments); many target the economically active farmers; some also engage the transformation drivers, while others will engage with the semi-subsistence farmers.
4. Does the design document describe a feasible and operational <b>targeting strategy</b> in line with the Targeting Policy, <i>involving some or all of the following measures and methods:</i>	
<b>4.1 Geographic targeting</b> – based on poverty data or proxy indicators to identify, for area-based projects or programmes, geographic areas (and within these, communities) with high concentrations of poor people	The project will focus on rural areas above 600 m in the upland areas of 6 targeted provinces and 35 districts (phase 1). Selection criteria are based on economic, poverty, socio-economic, agro-ecologic conditions and topography, coupled with potential for enterprise development in selected enterprises and target groups' willingness to participate in and support the project.
<b>4.3 Self targeting</b> – when goods and services respond to the priority needs, resource endowments and livelihood strategies of target groups	Criteria for selecting enterprises include: (i) enterprise chain includes a critical mass of smallholders; and (ii) entry/establishment costs and risks for the enterprise are low (important for poorer farmers). Selection criteria for productive infrastructure investments include outreach to the largest number of beneficiaries.
<b>4.2 Direct targeting</b> - when services or resources are to be channelled to specific individuals or households	Women account for at least 30% of participants and young men and women to account for at least 10% of participants. They participate in the MSP and the cluster mapping activities and preparation of the investments development plans. Specific measures will be used to encourage poorer smallholders, women and youth to attend trainings and activities designed for them by the programme.
<b>4.4 Empowering measures</b> - i in order to empower and encourage the more active participation and inclusion in planning and decision making of people who traditionally have less voice and power	Additional measures will be necessary to support poorer smallholders, men, women and youth to have the opportunity to participate and become more economically active. These may include basic business skills training, financial literacy trainings and leadership trainings.
<b>4.5 Enabling measures</b> –to strengthen stakeholders' and partners' attitude and commitment to poverty targeting, gender equality and women's empowerment, including policy dialogue, awareness-raising and capacity-building	All stakeholders to be sensitised about IFAD's commitment to working with poorer smallholders, women and youth, as well as the more economically active enterprises; the RPMU and the FST will work in implementing the gender actions plan with attention to rural women.
<b>6 Attention to procedural measures</b> - that could militate against participation by the intended target groups	Attention to ensure entry requirements not beyond the reach of poorer smallholders/processors and their associations; timing and location of training events ; create a phased approach or graduated pathway to ensure inclusive processes to ensure outreach among women, youth and semi-subsistence smallholders.
<b>4.7 Operational measures</b> - appropriate project/programme management arrangements, staffing, selection of implementation partners and service providers	Overall responsibility for project outreach will lie with the RPMU Coordinator/ gender and social specialist. The agri-business expert will have specific responsibility to maximise the opportunities for women's and youth employment and self-employment, while the gender and youth expert will maximize their empowerment, promoting gender equality and including semi-subsistence farmers in cluster development initiatives.
<b>5. Monitoring targeting performance.</b>	The M&E officer will consolidate and analyse sex- and age-disaggregated and poverty data to track project engagement with households who may otherwise be excluded.

## Gender checklist

Gender checklist	Comments
1. The project design report contains sex-disaggregated poverty data and an analysis of gender differences in the activities or sectors concerned, as well as an analysis of each project activity from a gender perspective to address any unintentional barriers to women's participation.	Appendix 2 describes gender perspective of rural livelihoods and selected agricultural activities.
2. The project design report articulates actions which aim to: <ul style="list-style-type: none"> <li>Expand women's economic empowerment through access to and control over productive and household assets;</li> </ul>	Women will be encouraged to engage in farming as a business through enhanced access to finance, economic opportunities and key organisation such as the multi stakeholder platform.
<ul style="list-style-type: none"> <li>Strengthen women's decision-making role in the household and community, and their representation in membership and leadership of local institutions;</li> </ul>	Women will account for at least 30 per cent of (i) active participants in MSP meetings and also participatory investments planning activities; (ii) trainees for specific trainings ( financial and leadership).
<ul style="list-style-type: none"> <li>Achieve a reduced workload and an equitable workload balance between women and men.</li> </ul>	Time and labor-saving technologies will be promoted
3. The project design report includes one paragraph in the targeting section that explains what the project will deliver from a gender perspective.	Paragraph 29 of the PDR summarizes gender perspective of project in terms of access to technical and business skills training, cluster investment partnerships, financing facilities, membership and leadership.
4. The project design report describes the key elements for operationalizing the gender strategy, with respect to the relevant project components.	Key aspects of gender strategy are mainstreamed into the description of the relevant project activities; to be further developed during implementation.
<b>5. The design document describes operational measures to ensure gender-equitable participation in, and benefit from, project activities. These will generally include:</b>	
5.1 <i>Allocating adequate human and financial resources to implement the gender strategy</i>	Dedicated funds allocated and gender experts at all levels (regional) and also as part of the Farmers Support Teams.
5.2 <i>Ensuring and supporting women's active participation in project-related activities, decision-making bodies and committees, including setting specific targets for participation</i>	30 per cent targets set for: participatory cluster mapping and planning (MSP committees); agri-business trainings ( including financial literacy and business trainings); membership and leadership of traditional and new organisations.
5.3 <i>Ensuring that project management arrangements (composition of the project management unit, terms of reference for project staff and implementing partners, etc.) reflect attention to gender equality and women's empowerment</i>	The gender, social and youth expert, as well as the VC experts will have specific responsibility for maximising opportunities for women's (and youth) empowerment and promoting gender equality.
5.4 <i>Ensuring direct project outreach to women (for example through appropriate numbers and qualification of field staff), especially where women's mobility is limited</i>	Farmers support team (FST) working at district and community level will have a gender, youth and social expert within each team participating in all field/ community visits and responsible fro organizing women's groups/consultation/women's leadership and representation. Limited mobility of women will be considered and activities will be organized accordingly to ensure full outreach.
5.5 <i>Identifying opportunities to support strategic partnerships with government and other development organizations for networking and policy dialogue</i>	Links will be established within the ministry of women and youth affairs as well as with ILO for what concern youth inclusion
6. The project's logical framework, M&E, MIS and learning systems specify in design includes sex- and age-disaggregated performance and impact data, including specific indicators on gender equality and women's empowerment.	It is indicated that data will be sex and age disaggregated.

**Annex I: Beneficiaries and target groups by sector in the programme area (Eastern Mediterranean and Western Black Sea) Phase I<sup>78</sup>**

Sector	Programme intervention	Type of beneficiaries:	Total Beneficiaries Households	Semi-subsistence farmers 60% total beneficiaries HHs			Medium family farmers partially market oriented 35% total beneficiaries HHs			Large family farmers Fully market oriented 5% total beneficiaries HHs
			<b>30,000 HHs</b>	<b>18,000 HHs</b>			<b>10,500 HHs</b>			<b>1,500 HHs</b>
				Semi subsistence farmers, including pastoralists. (HHs 18,000)	<b>Women 30%</b>	<b>Youth 10%</b> 50% young men and 50% women age 18-40	Active smallholders and small processors (10,500 HHs)	<b>Women 30%</b>	<b>Youth 5% 50%</b> young men and 50% women age 18-40	
<b>Component 1</b>  Economic Development Cluster	Demonstration training (i.e. FFS) improved production/husbandry practices /rangeland management/ leadership	<b>Primary beneficiaries</b>	<b>7,000</b>	<b>3,000</b>	900	300	<b>3,000</b>	900	150	<b>1,000</b>
	VC Business facilitation trainings BFT	<b>Primary beneficiaries</b>	<b>7,000</b>	<b>3,000</b>	900	300	<b>3,000</b>	900	140	<b>1,000</b>
	VC cluster investment partnerships beneficiaries (individual investments)	<b>Primary beneficiaries</b>	<b>1100</b>	<b>660</b>	198	66	<b>440</b>	132	22	-

<sup>78</sup> Figures are indicative and estimated at first design mission stage. They will be further fine tuned after baseline survey and selection of villages will be done.

	Youth entrepreneurs new entrants accessing trainings and cluster investment partnerships support	<b>Primary beneficiary</b>	<b>400</b>	-	-	400	-	-	-	-
	Improved productive infrastructure	<b>Primary beneficiaries</b>	<b>15,000</b>	<b>9,000</b>	2700	900	<b>5,000</b>	1500	250	<b>1,000</b>
	Participation in well-functioning clusters ( <i>no other services, such as access to VC, received from project</i> )	<b>Secondary beneficiaries</b>	<b>2,300</b>	<b>1000</b>			1000			300
	Road /market /improved rangelands/ (including beneficiaries not involved in supported VC)	<b>all beneficiaries</b>	<b>30,000</b>	<b>18,000</b>			10,500			1,500
<b>Component 2</b> Access to finance	Access to loans (individuals and FOs)	<b>Primary beneficiaries</b>	<b>3,400</b> HHs and 40 Farmers Organisations (FOs)	1,500 HHs and 10 FOs			1,500 HHS and 10 FOs			400 HHs and 20 FOs



## Appendix 3: Country performance and key learnings

126. Turkey was one of the first countries to partner with IFAD starting in the early 1980s. Since 1982, IFAD has financed 10 projects in Turkey for a total cost of more than USD 660 million, of which IFAD loans amounted to around USD 190 million. Co-financing by the government of Turkey (GoT) and beneficiaries amounted to USD 325 million, with other development partners (incl. IsDB, OPIC, WB and UNDP) co-financing the remainder. The proposed URDP will consequently be the 12<sup>th</sup> IFAD supported development engagement in Turkey and is designed to reflect the growing maturity and trust of the strong and long partnership. The following learnings have been generated from this robust partnership.

### Learnings from supporting institutional capacities

127. Though MFAL has significantly strengthened its implementation capacities, the set-up of dedicated programme management units (CPMU and the two Regional PMUs) is recommended for the URDP. The key lessons on institutional capacity come from the country programme evaluation (CPE) in 2016, which called for strengthening the institutional and policy framework. Thus, both the CPMU and RPMUs will be fully embedded within the MFAL and PDAs (of Adana and Kastamonu) respectively as will the 6 initial farmers' support teams (one in each PDA). Most of the staff at regional and provincial level will be seconded from the government hence, further strengthening institutional memory and capacities.

128. The restructuring of MFAL (ex-MARA) in 2012 resulted in the relocation of the implementation responsibility for all international projects to the General Directorate of Agrarian Reform (GDAR) that is currently the implementation counterpart of IFAD for AKADP as well as the GTWDP. The proven technical competency and expertise of GDAR in implementing complex donor funded projects (several by the WB) is of considerable added value for IFAD's operations in Turkey. The EU resources earmarked for agriculture (IPARD) are disbursed through robust mechanisms under the control of GDAR. The budget of GDAR in 2015 is over USD700 million. This endorsed capacity has removed the need to use intermediary service providers such as UNDP for procurement and accelerating the flow of funds.

129. Two projects have been completed in 2013 and in 2014: Sivas Erzincan Development Project (SEDP) and Diyarbakir, Batman and Siirt Development Project (DBSDP). Their PCRs have indicated that both projects have substantially contributed to the creation of physical assets of the rural poor, both individually and collectively, and at village, farmer organization and SME levels. In the case of SEDP, crop yields increased significantly e.g. sugar beet yield increased from 50 to 70 tons/ha, grapes from 2.3 tons/ha to 4.9 tons/ha and wheat yields from about 2 tons to an average of 5 tons per hectare. With an average holding size of 3 ha, increase in yields and decrease in operations cost the average net income increase due to irrigation would be USD 27 000 equivalent with project. The project provided support to a number of farmers' organizations, including associations and cooperatives to upgrade their service delivery to members. The average dairy farmer increased the herd size from 9 to 12 cows, increased milk production/cow/annum from 1 774 to 2 371 litres and as a result, increased the amount received for marketing milk production through Sivas Cattle Breeders Association from USD 300 to USD 1000/annum. The result of the economic feasibility of dairy farming based on data pertaining to a 30-head operation showed an Internal Rate of Return (IRR) of 20%. The bee-keeping value chain SEDP grant contributions resulted in increase in honey production per hive from 4 kg to 8.3 kg of honey. The estimated average net income from apiculture is around USD 1220 per household.

130. The Sivas project has also created the favorable conditions for farmers' eligibility to the EU-funded Instrument for Pre-accession Rural Development (IPARD) support. Two village farmers in Sivas already qualified to receive TKDK (EU-IPARD Program Implementing Agency) assistance, one of whom was an SEDP beneficiary.

131. In the case of Diyarbakir Batman Siirt Development Project (DBSDP): i) the IRR from investing in new almond orchards with drip irrigation system was 42% and the income for the farmer was estimated at about USD 14400 per hectare. For new vineyard orchards using high-wire cultivation and drip irrigation, the FIRR was estimated at 25%; the net return for 1 Ha of vineyards at maturity is USD 9700; ii) SME grant investments have generated an estimated 180 part and full time jobs, predomi-

nantly for women. Investment support to silk production and processing primarily benefited some 450 women involved in cocoon production as well as some 50 women involved in silk processing and manufacture.

132. There are three on-going projects, the Ardahan-Kars-Artvin Development Project (AKADP); the Murat River Watershed Rehabilitation Project (MRWDP) and the Goksu-Taseli Watershed Development Project (GTWDP). The AKADP is somewhat behind schedule with low disbursement rates. This under performance is due to the remote location of the project that also experienced staff shortages with high staff turnover, coupled with short rehabilitation/construction season. Despite these handicaps, since mid-2013, the project has gained momentum and has progressed well, ranging from demonstrations to co-financed investments. Mission supervisions confirm that the provision of matching grants for the equipment and machinery and milk collection centres (operated by cooperatives) increased and stabilized farm gate prices and availability of feed and livestock drinking water in the pastures has improved productivity.

133. The MRWDP and the GTWDP are the only IFAD-supported projects with the MFAL, with GTWDP only starting in 2017. The MRWDP entered into force in August 2013. Project implementation during the first years is proceeding satisfactorily. As per appraisal estimate most project activities are focused on organization of the beneficiaries, training and preparation of the first three micro catchments plans in full collaboration and consensus of the beneficiaries.

#### **Learning from supporting clusters and market linkages**

134. **To institutionalise clusters it is important maintain the geographical proximity of firms and the production of similar or related products to ensure that sufficient room for collaboration amongst stakeholders is being created.** This will also ensure that awareness is built at the level of entire institutions, going beyond specifically assigned focal points and/or meeting participants. This holds true especially when using public calls. Certain decisions and actions have to be initiated and pursued by local stakeholders themselves in agreement with the lead agency and cannot be implemented on their behalf by external agencies. It is therefore recommended to assign a technical intermediary body or organization (following international best practice examples) that would provide a standardized quality training programme and counselling approach for future cluster brokers as well as for policy maker to integrate cluster programmes into the broader context of economic policy, in particular with efforts to improve framework conditions (clusters programmes deliver their full value only if structural reforms are pursued in parallel). As key drivers of local economic development, districts should play a crucial role within the process of cluster development.

135. While the clustering approach is new to IFAD's portfolio in Turkey, there have been other similar experiences in East and Southeast European MICs that indicate that the success of an inclusive clustering approach mainly depends on the **complementarity and linkages** among components along specific project-supported clusters. IFAD interventions in other parts of the World, as in Niger and Uganda, developed a similar approach combining demand driven economic infrastructure investment with the proactive involvement of economic actors to boost demand in semi-wholesale markets of the supported clusters.

136. **Exclusive reliance on geographical targeting (for supported investments) is not sufficient,** and may partly contradict an effective clustering approach since project may feel obliged to distribute resources equitably amongst districts, regardless of needs and poverty levels. It is therefore important to couple geographic targeting with socio-economic targeting, ensuring that it is demand driven.

137. **Any intervention aimed to support smallholders must take its point of departure in the fact that the limited degree of commercialisation is making it difficult for them to be competitive in the market.** This is a key lesson learnt from the IFAD's previous experiences in Turkey and also highlighted in the CPE from 2016. Opportunities therefore lie in developing small niche markets. Similar lessons have been learnt from EU IPARD projects. Also, many smallholders continue to struggle to benefit from the EU IPARD projects<sup>79</sup> and from their limited capacity to formulate reliable business plans.

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<sup>79</sup> EU's methodology favours larger farms.

138. **There is a need to balance a purely demand driven approach with appropriate procedures and targeting criteria.** If solely based on demand, experience from e.g. the CPE suggest that the most resourceful rural entrepreneurs are likely to capture most of the benefits, as they are often best placed to articulate demand and frame it in formats that are required by IFAD and government. This can have the unintended consequence of excluding the economically active poor that could potentially graduate out of poverty and become transformation catalyzers in their area. Applying a demand driven approach has proven to generate better outcomes in terms of sustainability and profitability than a purely supply driven top-down scheme can deliver, even if the latter allow for better inclusion. Hence, the URDP will aim to balance these competing demands.

139. Considering these experiences and taking into account the specificities of the Turkish context, the main design considerations for the clustering component activities are consequently: (i) the URDP has been designed as a cluster based programme, covering all stakeholders in one or several value chain(s), across all project district boundaries, but based around the poorest of farmers in pre-selected poor upland districts; (ii) the URDP's two technical components have been designed to be mutually supportive and complementary; (iii) access to markets will be increased by building on the products currently produced and sold, by helping farmers to meet the necessary requirements for food safety certification, and where feasible regional certification, to help ensure commercial buyer and consumer confidence. The URDP will also assist producers with improved marketing, branding, packaging, presentation, plus opportunities for joint marketing by farmers and strengthening of market linkages; and (iv) whenever possible and requested by the smallholders themselves, and if a clear win-win situation can be achieved, the URDP will facilitate linkages and contract farming opportunities with the private sector.

#### **Learning from supporting more inclusive targeting**

140. **In MICs, a differentiated approach is needed in terms of targeting to reach out to the poor households.** IFAD's experience in similar or comparable environments demonstrated that: (i) funding support should differ according to the poverty level of the direct beneficiaries, to mitigate potential elite-capture; (ii) such a differentiated approach is possible based on a robust understanding of the characteristics of the poor and the clarity, at the onset, on how these can and will benefit from a project being designed; and (iii) consideration should be given to poverty and gender impact in selecting infrastructure to be funded and targeting criteria should be strictly applied. Project management units (both CPMU and RPMUs) should be sensitized and trained from start, especially in MICs, on IFAD targeting strategies and inclusion of the poorest rural households.

141. Taking into account these lessons learned, the main design considerations are consequently: (i) the URDP will work with three different target groups, tailoring its support to the needs and capacities of these different groups; (ii) Aa targeting awareness training module will be delivered at project start to the CPMU and MFAL, to ensure a common understanding of URDP targeting approaches and agree on ways to reach out to and properly monitor backward linkages and gains for the poorest rural households; (iii) during the first months of implementation, the CPMU will organize an important sensitization/awareness campaign for all beneficiary areas; and (iv) for the cluster investment partnerships, the URDP will favour existing farmer's organizations/cooperatives/associations, based on robust business plans. It could also help financing public infrastructure/equipment for which districts and provinces would then assume ownership and O&M. This approach intends to benefit more rural households, including the poorest ones, while complementing and not overlapping with the approaches followed by the Government's subsidies and the IPARD and IPARD-like programmes, which target individuals based on their capacities to pre-finance the investments (i.e. wealthier households). Elite capture will be attenuated by the relatively low ceiling for the cluster investment partnerships, and a differentiation in the contributions requested from the beneficiary associations.

#### **Learnings from beneficiary participation**

142. **Strong awareness and understanding of programme concepts and approaches from start is a key factor for implementation success.** Consequently, awareness/sensitization should be strengthened at start, to maximize participation and ensure adhesion to the project, while avoiding to raise false expectations. This should go beyond the project launch (start-up workshop) and promotion workshops as generally done at project start. Stakeholders and representatives of the beneficiaries should be involved in planning from the first year of implementation.

143. **A formal role, in both programme monitoring and implementation, shall be given to provincial agriculture departments and districts.** And in particular the latter, given their proximity with population and financial contribution to construction and maintenance of infrastructure.

144. Based on the above considerations, the URDP: (i) will budget resources for the organization of information and planning regional/local workshops, which will help to mobilize and involve potential beneficiaries from the start; and (ii) will promote cooperation with direct beneficiaries (whether farmer's organizations or districts) based on solid business plans (in the case of cluster investment partnerships or finance) and memorandum of understanding/written agreements, specifying implementation modalities as well as obligations from the beneficiary.

#### **Learnings from a phasing approach**

145. A lesson learnt from other clustering programmes is that a **phased implementation approach is advisable**. In this regard it is proposed that implementation will start in all the 6 provinces at the same time but activities be phased based on the needs of the clusters. More specifically the URDP suggest a four stage approach, within a time-bound period, before moving on to other clusters.

146. Similarly at programme level, where the first phase will only have 40 clusters whereas the second phase will add an additional 40 clusters, in addition to at least two additional provinces.

147. Phase two will commence subject to satisfactory disbursement rate in phase one, recommendations in the supervision mission reports, and, critically, explicit recommendation hereof in the mid-term review. In addition, at least 50% of the planned MSPs should be established and functional. Consequently, it will not be automatic and obviously also subject to IFAD's and GoT's ability to mobilise necessary finance.

#### **Learnings on promoting inclusive finance**

148. Although identified under different denominations as the EU promoted IPARD that encourages beneficiaries to combine grant elements with a loan, CIP stimulates crowding in the banking system, providing pathways to further financial support to EDCs rural investors through articulating their financial needs to sound business and investment plans. RPFs will participate in MSPs and provide financial literacy to potential clientele primarily investing through CIP.

149. The URDP will bolster the ability of the Credit Guarantee Fund (KGF) to reach out to an increasing number of rural clients. KGF provides strategic support to growth and development, facilitating access to financing of all enterprises, especially those which are promising. The organization's main goal is to become a financial support agency of Turkey, ensuring access of SMEs and Non-SMEs to credit in association with national and international cooperation. KGF will also contribute to the URDP by investing EUR 2.5 million in the rural credit guarantee window.

150. In order to provide a sustainable structure, KGF was established with the common contributions of both public and private sector. The Turkish Union of Chambers and Commodity Exchanges of Turkey (TOBB), which own 32% of KGF shares, is the highest legal entity in Turkey representing the private sector. The Small and Medium Business Development and Support Administration (KOSGEB), also has a shareholding of 32%, is a government agency established to increase the share and efficiency of small and medium-sized enterprises and, to increase their competitiveness. In addition, 22 private and public banks and 5 participation banks have a total share of 35.6% in the KGF. This means that 98% of the finance sector are also shareholder of KGF.

151. The KGF focus on small and medium-sized enterprises employing less than 250 employees per year and not exceeding 40 million TL in total, either in annual net sales revenue or annual financial balance is defined as official SME.

152. KGF's **achievements** should be evaluated in two periods. The first: 1994 - 2016. The second: from 2017. Starting from 2017, in fact, KGF started a new guarantee scheme up (portfolio guarantee) that has consistently contributed to enlarge KGF activity.

153. In May 2017, under the new implementation and assessment procedures, the number of SMEs applying for a guarantee reached 241,604. Basically, KGF has enlarged its service area more than 6 times within the first 5 months of 2017 with respect to 1994-2016 period.

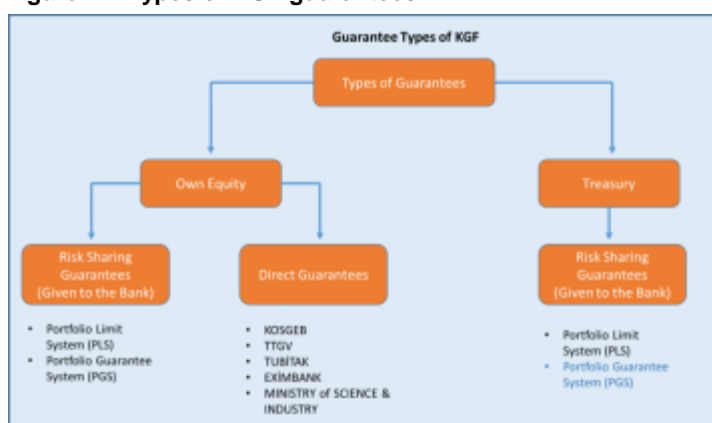
154. The rural sector has not been the focus of KGF Both in transaction number and guarantee amount the rural sector represents only 2%. It is because of lack information of banks and the long credit assessment period of KGF.

155. KGF uses two different sources on their activities. One of them is the guarantees provided from its own equity (*individual guarantee*), the other one is provided from *treasury resources (portfolio guarantee)*. In its recent achievements, KGF has preferred to use treasury guarantee source.

156. Portfolio guarantee can only be used to protect bank loans whereas individual guarantee can both be released to protect a loan and to ensure a public subsidies provider (such as KOSGEB, TTGV...) to recover the granted subsidy in case the supported purpose is not properly completed by the beneficiary.

157. Depending on the guarantee system, KGF performs two different kinds of assessment. In one case (*for individual guarantee*) KGF assesses SMS' credit worthiness through its own specialists in addition to bank's process, requesting the bank, if necessary, to send additional information; the assessment time can last more than one month. In the second case (*portfolio guarantees*), KGF does not take part in the decision-making process and only check whether some basic conditions are fulfilled or not. As a consequence, the assessment time may take less than two days. In the latter system, in case of guarantee payment request, KGF performs a proper ex-post assessment and verifies whether all the conditions for the guarantee payment are fulfilled and may refuse the payment in case of negative outcome.

**Figure 12: Types of KGF guarantees**



158. Current Portfolio Guarantee System (PGS) can be used as a model and extended to the loans aimed at financing the targeted

groups in the project regions.

159. For each participating bank, KFG allocates a virtual amount that is actually deposited in the UoT accounts. This amount is the maximum value of cumulative losses that can be paid by KGF for the portfolio and – currently – represent 7% of the 90% of the potential loan portfolio. For example, if from the available budget KGF allocates for a given bank 1 million TL, the bank can disburse, under the agreed conditions, as many loans as the cumulative amount reaches 15.8 million TL.

160. Each loan shall be guaranteed up to 90% and KGF shall pay the guarantees until the cumulative paid amount reaches the 1 million TL cap. Beyond the latter amount, the risk is taken by the bank. 7% of the portfolio represents the junior tranche thickness (the senior tranche thickness is therefore 93%) and it is also the prudent average default rate of the system.

161. During the portfolio ramp-up stage, KGF verifies that the bank has certified the existence of the conditions under which the guarantee is valid. In case of guarantee payment request, KGF assesses in depth and verifies that every single condition has been actually fulfilled. For the guarantee, the UoT has set a one-time fee that must be paid by the borrower and that is equal to 0.03% of the guaranteed amount.

162. In sum there are strong reasons to believe that the past performance and learning from the KGF warrant the opening of a specific rural window to ensure that hitherto deprived areas of the country benefit from the scheme. This is consistent with the lessons learnt by IFAD at global level, where it is argued that credit guarantee schemes are an attractive form of support for rural enterprise development in developing countries where non-availability of finance has been a serious constraint in developing the rural business sector.<sup>80</sup> However, IFAD's experience also indicate that guarantee

<sup>80</sup> IFAD: Lessons Learnt – Loan Guarantee Funds, Rome, 2014

schemes are only useful when the commercial banking system is ready to participate as schemes in which the only participants are publicly funded, development finance institutions have little meaning, since ultimately the losses of these institutions must be made good from the public treasury. Here the robust engagement by both the private and public sector bodes well for the future of the KGF. Moreover, the KGF also delivers on the best practice of the business community and the banking system assuming some part of the risk. The KGF does thus not completely absolve banks from taking a normal level of risk. While the KGF is backed by public funds, it does not eliminate the need for the lender to obtain some form of personal guarantee or collateral, where possible. Finally, and perhaps most convincingly, KGF has decided to invest EUR 2.5 million in the RCGF, demonstrating strong commitment and willingness to share risks.

## Appendix 4: Detailed programme description

163. The high growth rates during the last three decades has nearly eradicated urban poverty, which is now under 1%. The key drivers have been industrialisation, construction and, increasingly in services, all overwhelmingly in the urban areas. Simultaneously Turkey has also emerged as an agro-industrial powerhouse, being the world's 7<sup>th</sup> largest agricultural producer and a major exporter not least to the EU, the world's biggest market. However, the agricultural growth has also been spatially confined, with coastal areas and flat plains on the Anatolian plateau benefitting significantly from economies of scale and much improved connectivity, not least thanks to an aggressive roll-out of road infrastructure.

164. These developments have widened the gap between a growing coastal/plain region and a poor mountainous region with the latter characterised by economic stagnation, emigration and increased isolation, as both physical and social infrastructure crumble. Climate change is also accelerating with more extreme weather events negatively affecting both agricultural and livestock production, as well as eroding crucial rural infrastructure.

165. The URDP is the joint GoT and IFAD response to these significant challenges facing the mountainous rural poor as well as an attempt to seize the transformative opportunities available at this critical juncture in Turkey's history.

166. The overall goal of the URDP is to *enhance the prosperity and resilience of upland smallholder farmers*. This will be accomplished by strengthening their resilience and improving economic opportunities for the rural poor based on competitive farms and agri-businesses that are connected to and integrated into more profitable economic clusters, making sustainable use of Turkey's natural resources. The overall strategy for achieving this is to build on and accentuate the treasured characteristics of rural production thus ensuring that sustainable land and water use practices are promoted while also increasing the climate adaptive capacity of the numerous smallholders. Thus, the concept is premised not only on ensuring economic clustering into programme design for sustainability reasons, but also leverage these more non-tangible aspects to make the products more unique, through branding, certification and storytelling.

167. The strategy is geared at two core complementary outcomes. The first will aim at critical agri-business development support through better natural resource management and higher added value for rural transformation, utilising an economic clustering approach. The second will aim at improving smallholders' access to financial services, leveraging private financial resources in the process. The two outcomes, their corresponding components and the synergies are described below.

168. The two core outcomes of the URDP are chosen to achieve optimal impact in terms of addressing the core binding constraints facing poor smallholders in upland areas of Turkey. Combined, the two outcomes will thus deliver more than the sum of their parts, but ensuring that a multiplicity of challenges are simultaneously addressed where and when needed. Moreover, the outcomes also reflect the areas where IFAD has a comparative advantage vis-à-vis other development partners, most notably in catalysing inclusive rural transformations for smallholders.

169. The synergies will materialise based on demand. Thus some smallholder communities may need infrastructural improvements to cope with increased production volumes and the need for investment finance may emerge as a consequence of increased value chain integration. Also within the components there will be strong mutually reinforcing synergies between the activities based needs (e.g. upgrading product quality may be accompanied with better branding and marketing).

170. Moreover, synergies will also be sought with other development engagement that can assist in the rural transformation, including EU's IPARD (which will be able to cater for smallholders graduating out poverty), the districts, provinces and obviously MFAL. Progressively the cluster integration will allow for significant synergies with the private sector (including banks), that is expected to be the main driver in the long term.

171. Most engagements are demand-driven, which implies that where farmers, micro and small enterprises supported under component 1 are in need of financial services, linking them up with the other component can and should be facilitated where so desired by the actors. Vice-versa, where farmers/enterprises benefitting from access to finance, are also requesting support to become more

tightly integrated in relevant value chains, component 1 should positively consider including them. The outreach campaign will strengthen awareness of the menu of support engagements that the Programme offers, thus enhancing synergies and coherence where relevant and appropriate to the beneficiaries, but not forcing them to accept bundling of various activities, of which only one may be demanded.

## Proposed project components

### Outcome 1: Clustering for resilient rural transformation

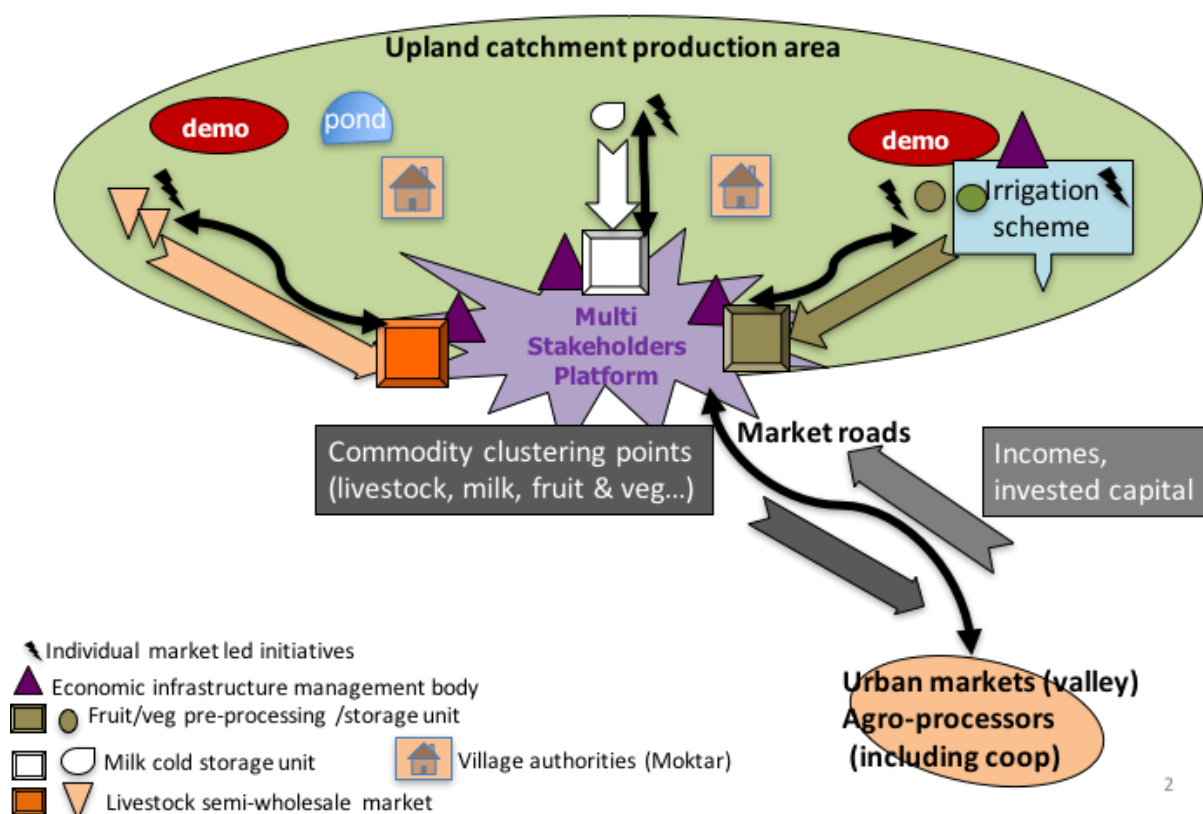
172. The programme strategy will follow a market linkage approach that is based on the spatial improvement of the agricultural products trade flows. Within each economic development cluster (EDC), it will support an increased production from the main production areas (the upland production catchment) towards satellite collection centres / semi-wholesale markets connected to provincial towns or urban centres. Multi-stakeholder platforms (MSP), based in each EDC, will facilitate production and semi-wholesale market development and link up the main value chain stakeholders: producers, traders, transporters and agro-processors.

#### Component 1: Development of Upland Economic Development Cluster

173. The EDC associated with its MSP constitutes the point of entry of the intervention to better address local economic challenges of the territory to develop the main value chains. This component aims at increasing the volume of the production and trade of agricultural products within each EDC through individual investment and support to key economic infrastructure co-managed by the stakeholders. This will lead to increased profitability of upland farming and agribusinesses and hence improve the attractiveness of young farmers to remain in these areas.

174. The EDC approach is based on the following activities (graphically summarized below).

**Figure 13: The EDC approach**



175. The programme approach relies upon the following features (the color legend of the previous diagram is given in brackets):



- Improvement of the farming systems' productivity (through a technical extension demonstration set-up) (green and red);
- Improvement of natural resources management (water, soil and rangelands) to support vegetable production, orchard irrigation, fodder production and animal drinking points (blue and green);
- Creation of local multi-stakeholders platforms (MSPs, involving producers, processors, local traders) to exchange business information, marketing opportunities outlets develop and seal business deals (purple);
- Upgrading uplands economic infrastructures including semi-wholesale market and rural roads to facilitate transactions and attract traders and cooperative to procure at semi-wholesale level (white, orange, brown and black).
- Attracting financial institutions to provide adapted financial products to uplands economy (grey).
- Branding, quality control and geographical indication/ designation of origin are a mid-term objective to leverage the specificities of the products in the uplands.

### Economic development clusters

176. It has been estimated that the component will engage in 40 EDC as shown in the table below and to be refined at the programme inception:

**Table 21: Tentative list of Economical economic development clusters (EDC) per province (Phase I)**

Region	Province	Tentative number of EDC	Y1	Y2
Eastern Mediterranean	Adana	8	3	5
	Mersin	6	3	3
	Osmaniye	6	3	3
(phase II)	Çankırı	TBD		
Western Black Sea	Kastamonu	8	3	5
	Bartın	6	3	3
	Sinop	6	3	3
(Phase II)	Kahramanmaraş	TBD		
	Total	40	18	22

177. Because of their isolation, upland catchment production areas constitute the basis of a series of EDCs with their own specificities and dynamics. EDCs are territories where social and economic transformations are led, within the framework of a stakeholders' shared development vision, by the bulking of locally produced agricultural products traded in a key location of the territory.

178. This cluster is therefore not an administrative entity but the rural territory as a whole driven by an integrated developmental process owned by all local economic actors. It is characterised by: (i) production catchment areas where the main agricultural products are marketed; and (ii) a trading point, as a semi-wholesale markets, that is linked to the urban and wholesale markets.

### Multi-stakeholder platforms

179. Rural people, mostly farmers, face many economic challenges but also have the ambition to engage, both individually and together, to better produce and trade locally available agricultural products: live animals (cattle and small ruminants), milk, fruit and nuts, vegetables, honey, non-timber forest products, to name the main ones.

180. The local socio-economic actors, that may be already organised in producer organisations (co-operatives, breeders' associations and producers' unions), constitute a potential multi-stakeholders platform once they are brought together. The MSP's aim will be to regularly exchange information

concerning their practices and skills and eventually to express a common stand to influence decision making instances within the economic development cluster. The MSP will not be an institution *per se* but a flexible set-up among stakeholders aiming at upgrading their capacities (to do better), upstreaming<sup>81</sup> their understanding (to do in synergy) and upscaling their impact (to do bigger)<sup>82</sup>. In this capacity the MSP will also represent a space of influence and decisions for those actors that are usually excluded or not represented. This is particularly relevant for women and youth.

181. Within each EDC, the intervention is planned within four stages to allow all stakeholders to fully understand their common and individual interests, and respective roles.

- (ii) Stage I (9 to 12 months): engagement with communities, presentation of URDP objectives and approaches, selection and organisation of participants (self-selection and direct targeting selection according to quotas and selection criteria for inclusion of women, youth and pastoralists), mobilisation of economic actors (emergence of the multi-stakeholder platform, visioning of a shared development process (e.g. mid-term and long-term objectives), planning of economic infrastructure, identification of currently active and interested producers organizations<sup>83</sup>, youth involvement. Special consideration will be paid to seize opportunities for the resilience and productivity of natural resources, including more adaptive practices. The expected result is to produce strategic investment plans (SIP) owned by the local stakeholders.
- (iii) Stage II (18 to 24 months): social mobilisation continues (consolidation of MSP and of commodity-specific groups, where needed; creation of infrastructure management bodies, linkages with provincial producer organisations), civil engineering starts (feasibility studies, design and building of economic infrastructure), access to rural finance (individual investments, cluster investment partnerships), technical support (demonstration plots and farms). The expected results are the improvement of the infrastructure context (common and individual) and the improvement of technical (production) and soft skills (management of the platform, established governance mechanism).
- (iv) Stage III (12-18 months): development of economically viable set-up to better access commercial outlets (markets, contracts, linkages with agro-industry through private sector, cooperatives and producers' unions), access to rural finance (individual investment, cluster investment partnerships), technical support (demonstration plots and farms), branding products and the area (marketing linkages, geographical indication and/or designation of origin). The expected results are increased volumes of marketed agricultural products.
- (v) Stage IV (6 months): exit strategy activities and way forward with development partners (access to rural finance with financial institutions, linkages and involvement with district and provincial commodity associations and union of cooperatives- where existing, branding products of geographical origin with PDA, link with authorities). The expected results are the existence of robust linkages between EDC economic actors and development partners to pursue economic growth.

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<sup>81</sup> To reflect on the reasons behind a given context from a broader perspective

<sup>82</sup> Adapted from Cees Leeuwis, *Reconceptualizing Participation for Sustainable Rural Development: Towards a Negotiation Approach*, *Development and Change* Vol. 31 (2000), 931±959. # Institute of Social Studies 2000. Published by Blackwell Publishers, 108 Cowley Road, Oxford OX4 1JF, UK

<sup>83</sup> For a definition of existing producers organizations please see section XX of the PDR

**Table 22: Tentative distribution of EDCs per stage of intervention (Phase I)**

Stage of intervention	number of EDC					
	Y1	Y2	Y3	Y4	Y5	Total
Stage I : social mobilisation, visioning, planning	18	22				<b>40</b>
Stage II : social mobilisation, economical infrastructure building, individual investment, technical skills		18	40	22		<b>40</b>
Stage III: economic support, individual investment, technical skills				18	22	<b>40</b>
Stage IV: exit activities					18	<b>18</b>
<b>Total</b>	<b>18</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	

182. The component is subdivided into five subcomponents, namely: i) the establishment of the multi-stakeholder platforms focusing on social mobilisation activities; ii) the building of cluster supporting economic infrastructure focusing on civil engineering activities; iii) the support to farmers skills and organisation focusing on stakeholders' training activities; iv) the support to targeted individual investment focusing on co-financing activities through cluster investment partnerships; and v) the regional branding and geographical indication/ designation of origin focusing on studies on products and quality assessment activities.

#### **Sub-component 1.1: Establishment of EDC Multi-Stakeholder Platforms**

502. *Expected outputs:* 40 (80 including second phase) multi stakeholder platforms (MSPs) are established to enhance market led farming activities through commonly adopted initiatives.

#### **Implementation Process:**

183. A multi-stakeholder platform will be formed with representatives from all main sectors of the value chains: producers (this includes farmers as well as pastoralist and agro pastoralists), brokers, traders, processors, input suppliers and transporters). Across these categories, there will be participation and representation of women and youth to ensure compliance with overall quotas: 30% for women and 10% for youth. In collaboration with the programme, the MSP will produce a strategic investment plan for the EDC.

184. The MSP will be the main interface with the programme / provincial department of agriculture (PDA) and eventually other development business partners (e.g. financial institutions). Its main role is to facilitate relationships and linkages amongst its members to ensure a proper use and the sustainability of the investments. The MSP will encourage and support its constitutive groups to become formally registered and proactively involved in the various value chains. Options will be to register as cooperatives and/or producers' unions or small enterprises (such as a limited liability company). The final decision will remain with the producers who shall be guided towards the best option given their needs by the Farmers Support Team.

185. In term of governance, the MSP will elect a steering committee constituted from representatives from the various stakeholders involved (various producers' organizations, traders and transporters) whose main role is to convene regular MSP meetings and follow-up recommendations with the concerned parties. Since MSP's recommendations are not binding, the steering committee powers reside in its influencing capacities. It will meet on monthly basis to review progress of the various activities.

186. The MSP will form committees to monitor specific activities when necessary (e.g. per product, youth mentorship, local audit of economic infrastructure management and business plans technical review). The MSP shall also constitute a peer accountability forum where the various project beneficiaries will openly share progress and achievement to encourage synergies. In addition to being an instrument to strengthen beneficiaries' business oriented activities the MSPs will also serve as an effective entry point for social capital building and awareness creation. Social capital building will entail creation of trustworthy relationship between different stakeholders (bonding capital) as the building ground to create business relationships as well as to create an environment where information and awareness on thematic areas such as gender and nutrition could be discussed.

187. With reference to the four stages of intervention in each ECD, the MSPs will play various roles as listed in the table below:

**Table 23: Roles of MSPs**

Stage of intervention	Expected outputs	Process
Stage I : social mobilisation, visioning, planning	EDC strategic investment plan and its support documents (maps, matrix)	<ul style="list-style-type: none"> <li>- Meetings with local authorities, public meetings, formation of the multi-stakeholder platform, call for different stakeholders in the selected districts;</li> <li>- Mapping of the economic development cluster identifying production catchment areas and agricultural products flows;</li> <li>- Prioritisation of economic infrastructure;</li> <li>- Selection of criteria to establish CIP;</li> <li>- Organisation of economic actors (e.g. cooperative,);</li> <li>- Identification of sites for demonstration plots.</li> <li>- Identification of areas where resilience and productivity of natural resources can be sustainably improved</li> </ul>
Stage II : social mobilisation, economic infrastructure building, individual investments, technical skills	Regular recommendations to drive the development process (civil works and social engineering)	<ul style="list-style-type: none"> <li>- Regular meetings (monthly/bimonthly) with tailored technical support;</li> <li>- Involvement in the Youth support (co-selection of trainees, identification of mentors, review of final action plans);</li> <li>- Selection of infrastructure building committee;</li> <li>- Facilitation of the emergence of commodity platforms;</li> <li>- Local communication activities.</li> </ul>
Stage III: economic support, individual investment, technical skills	Market led and well managed economic infrastructure	<ul style="list-style-type: none"> <li>- Monitoring economic infrastructure management;</li> <li>- Monitoring established CIP;</li> <li>- Facilitating business interactions between traders and producers;</li> <li>- Monitoring access to financial services;</li> <li>- Monitoring dissemination of technical innovations.</li> </ul>
Stage IV: exit activities	Branding the EDC	<ul style="list-style-type: none"> <li>- registration of products with the Turkish Patent and Trademark Office</li> </ul>

188. In order to facilitate exchanges and sharing of information, MSP will be involved in the organisation of fair/festival, farmers exchanges, national study tour.

189. Study tours will be organized considering also the opportunities for women and youth groups to travel and learn.

**Sub-component 1.2: Cluster-supporting economic infrastructure**

190. *Outputs:* Cluster allocated common economic infrastructure and 260 (500) kms of market roads will be built / rehabilitated.

Implementation Process:

191. i) during stage 1: Economic infrastructure will be identified by the MSP with the aim to aggregate the main agricultural produce in the ECD and attract traders as well as to secure flows of marketed products towards commercial outlets. These economic investments are considered as common goods and financed at 100% by an investment grant. When an existing farmers/processors organisation will directly own and manage the investment (e.g. a cooperative or a Union of cooperatives), a 25% co-financing will be borne by the organisation. The focus will be on small-scale infrastructure which will also be reflected in ceiling limits.

192. Discussions within MSPs will be facilitated by the programme main implementers (FST/PDA) under the supervision of the RPCU during the first stage of the intervention in the ECD. Selection criteria for investment would include: stakeholder commitment (including co-financing or construction of complementary infrastructure such as storage or PHH in the planned market area); access to

transport infrastructure and capacity; and up-scaling opportunities). The following indicative list of eligible investments has been made:

- 40 (80 including second phase) milk collecting and cold storage units to be managed by a primary cooperative (or if possible private investor with backward linkages to smallholders) and in collaboration with existing dairy cooperatives and/or milk producers' unions that have to ensure the collection;
- 20 (40) dry nut storage / fruit processing units to be managed by a primary cooperative / producers' unions and in collaboration with existing producers' unions that have to contribute to identify commercial outlets;
- 40 (80) irrigation schemes / ponds: improvement of water management at the scale of a EDC may include the development of irrigation scheme or storage of rain water in ponds at a sub-catchment area scale. Water user associations or irrigation cooperatives will be created to manage such investment where multiple users benefit from the pond. Water user associations will be supported in managing the infrastructures and in their capacities for managing the related catchment areas considering the fragility of mountain soil, topographical and hydrological conditions.
- 20 (40) cattle/sheep/goat semi-wholesale markets: live animal semi-wholesale markets constitute key areas to increase the volume of trade by attracting traders on a regular basis. Such areas will ensure easy access to vehicles, security of transactions (fences), shaded transaction area, access to weighing scales, access to water and electricity, toilets and a market stakeholders co-management to also ensure proper price information system available to market users.
- 20 (40) vegetable and fruit markets semi-wholesale markets: similarly to live animals semi-wholesale markets, vegetables and fruit semi-wholesale markets aim at attracting traders on a regular basis. Such markets present the same characteristics as the live animal markets: access, security, cleanness, access to weighing scale and a market stakeholders co-management ensuring proper price information system available to market users.
- 260 km (500 km) market roads: key portions of rural roads to better link production areas to markets and/or markets to urban outlets will be rehabilitated to allow a secured and permanent passage of vehicles transporting agricultural products.

**Table 24: Tentative prioritisation matrix to develop common economic infrastructure in EDC**

Common economic infrastructure	Milk collecting and cold storage unit	Dry nut processing and storage unit	Irrigation scheme	Live cattle market	F&V market	Market roads
Sufficient agricultural product available in the catchment area						
No other existing similar infrastructure around						
Linkages with trade outlets (bulk markets, cooperatives...)						
Existing access to district roads						
Possibilities of expansion (in term of space)						
Already existing district cooperatives / associations / unions engaged in this activity						
Proactive local market stakeholders (traders, processors, producers, primary cooperatives, and associations engaged in production at village level )						
Collaboration with and support from local authorities						
Access to financial services						
Access to other public services (water, electricity, security ...)						
<b>Total</b>						

193. For each economic infrastructure, the existing context is discussed along the tentative list of criteria to evaluate how conducive is this context to ensure the success of the investment. A grade from 1 to 3, representing a low, medium or highly conducive context, is given for each infrastructure.

194. The prioritisation exercise is to provide an open local space for discussions. Each criterion will generate a discussion to also assess who will be concerned and committed to manage and insure a financially viable use of the economic infrastructure once in place.

195. ii) During stage 2: Design and construction of the infrastructures. MSPs will appoint its own infrastructure construction advisory committee (ICAC, which may include the local mayor, the *mukhtar*) to provide inputs to the design and construction process which will be implemented by contractors selected under programme procurement guidelines under the technical supervision of PDA engineers. ICAC will nominate two delegates who will participate to site meetings<sup>84</sup> as observers, in this capacity, they will be in a position: i) to inform MSP about progress made; and ii) to contribute to the quality of the infrastructure with eventual unforeseen improvements. ICAC has an advisory role to the district decision making body.

196. The location, type and capacity of economic infrastructures required in each site as identified will be assessed through comprehensive discussions within the MSP to confirm the optimal location in terms of trading and appropriateness of required structures, to ensure the full utilization of constructed facilities. PDA engineers will provide necessary engineering design, procurement and construction supervision support to the RPMU which will be responsible for contract management.

197. In the case of economic infrastructure involving cooperatives as co-financier, representatives from the cooperative are to be part of the ICAC and a representative from the cooperative is to attend site meetings in a full member capacity (as co-client along with RPMU).

### **Sub-component 1.3: Farmers skills and organization**

198. Farmers skills and organisation will be enhanced to improve labour productivity as well as increasing the farmers' share of added value. Trainings schedules will take into account seasonal cycles and daily occupation to ensure that time and location are suitable for target groups. The training subcomponent will have four kind of activities all aiming at improving the uplands people's incomes derived from market led family farming: (i) youth rural youth businesses; (ii) support to value chains and business oriented farming enterprises; (iii) support to economic infrastructure management bodies; and (iv) technical/extension support

#### **Activity 1.3.1: New rural youth businesses**

199. *Outputs:* 400 youths (10 per EDC) have started a farming enterprise / rural activities with an economically viable action plan co-financed with a start-up grant.

Implementation Process: during stage 1:

- (ii) Members of MSP will form a specific committee that will: (i) propose selection criteria; and (ii) participate in the assessment process while ensuring selection; participation and representation from young men and women and support their access to key productive assets including lands.
- (iii) Youth will be selected at the EDC level by the MSP that will have set a list of URDP acceptable criteria.
- (iv) The selected youth, intended to start up rural activities as a main source of income, will benefit from a training process focusing on entrepreneurial and organisational skills to enhance their capacity to identify areas of opportunities. The training will be organised by the URDP farmer support team (FST) in collaboration with concerned provincial commodity associations (e.g. cattle, small ruminants, beekeeping and nuts) and will use technical assistance and spe-

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<sup>84</sup> As per contract, site meeting gathers the enterprise (contractor), the PMU (client), the Provincial engineer (consultant) and may also include the Muhtars of the villages that will benefit from the infrastructure; during site meeting, minutes are established and signed by the three parties and work certificates are established and assessed by consultant as a basis for contractor to produce involves accordingly.

cific service providers where relevant. It will comprise theoretical sessions intertwined with practical exposure (several weeks) to experienced producers who will serve as mentors. Specific timing of the exposure will also be decided on the basis of their availability and taking into account other commitments (on-farm and forestry work, casual labour). During this period and with their mentor support, they will define their life project that should be translated into action and business plans. Throughout the whole process, they will be receiving necessary assistance from FST and service providers (business trainers) assisting in business preparation.

- (v) On the basis of the business plan, trained youth will ultimately produce a financing plan including the use of the start-up grant, with a ceiling of grant contribution of 70%. The remaining 30% includes their own contribution including in-kind or capital.
- (vi) During the training process, youth will be encouraged to actively participate in the MSP and its interactive processes. At the end of the process, the trainee will make a presentation of his/her project to the MSP that earmarked him/her at the beginning of the process. A MSP recognition of the quality of the project will be provided to ensure that the rural youth will be supported to face farming challenges and to support him/her during the rolling out of their respective projects.
- (vi) The start-up grant is paid to the trainee on an account opened in the bank/financial institution of his/her choice. Disbursement shall be made along the same procedure as the one used for cluster investment partnerships.

### **Activity 1.3.2: Supporting value chains and business oriented farming enterprises**

200. *Outputs:* Farmers, including youth, and cooperatives and/or other producers' organizations (30% women participants and 10% youth) have developed market led business plans.

Implementation Process: during stage 1 and 2:

201. Since the MSP will identify areas for common economic infrastructure, it is also the proper forum to discuss what opportunities may emerge at individual level to take advantage of the new context. The common economic investment will catalyse both group and individuals' initiatives.

202. Groups: training / supporting commodity-based organization (this may include existing cooperatives, producers' unions or breeders' associations as well as newly created organizations) to be involved in the value chain. Such groups aim at adding value to their products to increase the price paid to producers. The economic viability will have to be ensured through the implementation of a hands-on business plan taking into account all costs to be covered (including depreciation of the assets) to provide the needed services (e.g. cold storage, processing and dry storage). This is particularly crucial to assess if the service is viable and how it actually impacts on the price paid to producers. In order to achieve well designed business plans, training will be provided (see points (iv) and (v))

203. Individuals: training individuals to develop business plans that take advantage of the conducive context enhanced by URDP. Specific discussions will be facilitated to go beyond short term activities and propose mid-term investment in line with development of value chains in the EDC. The training will be based on actual cases for each investor. At the end of the training process, the investor will have produced his/her business plan and financing plan in a presentable form to be submitted to a financial institution of her/his choice, if bank finance is needed.

204. Training in business plans should be developed by FST/PDA that can outsource trainers/practitioners from successful cooperatives / FIs having an experience of this matter. Training in business planning and business management will be provided to those breeders' associations and cooperatives that show interest and potential to improve their businesses.

205. Training will also include modules in key areas of organizational management (e.g. inclusive leadership, conflict resolution, record keeping, to name a few) in addition to business management. Breeders' associations and cooperatives with strong technical capacity will also be involved to provide technical training in their subject area (e.g. forestry, livestock improvement, etc.). These modules are indicative and will be based on demand as well as objectives of the emerging organized groups in the cluster.

Activity 1.3.3: training /supporting economic infrastructure management bodies:

206. *Outputs:* Each public economic infrastructure (live animal semi-wholesale markets, fruit and vegetables semi-wholesale markets /collecting centres), privately shared economic infrastructure (storage and processing units, milk cold storage unit) and multi-users irrigation schemes/ponds will be managed by autonomous bodies (companies, associations or cooperatives) entrusted by the District authorities through a local public private partnership agreement.

#### **Implementation Process:**

207. i) During stage 2: The MSP will discuss how an autonomous, legally registered, economic infrastructure management set-up is to ensure the sustainable and financially viable use of the economic infrastructure involving all stakeholders. In most cases, it will rely on revived or newly created farmers' organisations (cooperatives, associations, water users associations). Regarding market sites, their mandate will specifically stipulate that the management will ensure a permanent access to all users regardless of their membership to ensure that private traders can use the infrastructure at an agreed user fee.

208. All necessary support services will be listed (security, weighing point, tax clearance, clean and shaded spaces, price and volume information, easy access and parking for vehicle, availability of taskforce for specific tasks – unloading, packing, loading...).

209. In case of the use of public economic infrastructure that fall under the local authorities' mandate, a specific agreement between local authorities and the managing body will be signed to allow an effective and efficient functioning of the infrastructure while insuring the collection of local fees and duties (local public private partnership). The managing body will establish an action plan to be presented to the MSP.

210. ii) During stage 3: The managing body will provide regular information to the MSP regarding the generated activities and emerging challenges. The MSP, as a consultative body, provides recommendations that has to be confirmed by the legal membership of the management body to be enforced.

211. Training will comprise: legal aspects, linkages with local authorities and taxes, establishment of a user fee to ensure an economically viable management, strategic planning, business and investment plan, book-keeping, maintenance of the infrastructure, price and volume information, settlement of disputes. This training will be facilitated by the PDA farmers' support team that may mobilise producer organizations with relevant skills.

#### **Activity 1.3.4: technical/extension support**

212. *Outputs:* 10,000 (20,000 in second phase) producers will adopt technical innovation thanks to 3 demonstration set-ups per EDC<sup>85</sup> on the main selected agricultural products during 3 years.

#### **Implementation Process:**

213. At stage 1: in collaboration with MSPs, farmer support team/PDA will identify the main agricultural production and discuss technical demonstration set-up involving producers. 3 sites per EDC will be identified with 30-35 producers (30% women and 10% youth) directly involved on each site. Specific breeders' associations (cattle, small ruminants, bee keeping etc.) will be contacted to contribute to disseminate market oriented technical innovation after being trained when and if needed.

214. At stage 2: demonstration set-ups will be conducted as FFSs. Both technical and economic aspects will be dealt with to always keep in mind the economic viability of the tested improvement. All necessary inputs (seeds, fertilisers, pesticides, tools) will be borne by URDP but the place where they have been purchased (outsourced) and the incurred costs will be known and provided to the trainees.

215. In the case of orchards whose duration goes beyond the project time span, farmer orchard schools will be set up where producers will be exposed to improved skills and used of new varieties. The FFS modules will be refined in accordance with interest and needs of the different producers' categories: men, women and youth as well as the timing for the training classes.

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<sup>85</sup> Various methods can be used according to PDA experience in the area, e.g.: demonstration plots, farmer orchard schools, farmer field schools (FFSs) and rangeland management



216. t stage 3: While starting the second cropping season in the common plot, trainees will reach other producers using their own plots (2-3 producers per trainee) in the dissemination of the acquired knowledge worth to be adopted.

#### **Sub-component 1.4: Individual investment in productive infrastructure**

217. *Outputs:* 1,200 (2,400) individual investors develop their productive infrastructure to improve their incomes from the relevant value chains through cluster investment partnerships.

218. 100 pastoralists households improved their livelihoods to be in position to derive better incomes from productive infrastructure investment.

219. The CIP concept is highly justified by the low level of net incomes of the upland community beneficiaries, estimated at TRY40,000, while the ceiling economic investment amount is estimated at TLY60,000. The current very limited access to financial institutions for this segment of the uplands population means that potential investors would have to self-finance 100% of their investment.

220. In order to alleviate this burden and to align the intervention with other governmental interventions in neighbouring provinces (50% grant of the investment -tax included- in the national youth investment programme), URDP will adopt an approach combining (i) the once-off partnership defining a shared financing between the investor, mobilising 30% of the investment and URDP providing the 70% (the investors will also pay VAT since their annual sales are less than TRY100,000 and in actual terms, a cluster investment partnership (CIP) beneficiary will therefore contribute TRY30,000 equivalent to almost 45% of the investment, tax included, which still remain attractive with regards to other programmes) and, (ii) the improvement of the access to financial (see component 2) and non-financial services (economically viable business plans, financial literacy, fiscal literacy...) to encourage first investors to pursue their economic development with financial institutions.

221. The crowd-in effect has been observed in similar programmes, once both financial institutions and investors have (i) an actual experience of the economic viability of the investment and ii) a robust financial guarantee set-up that does not just rely on investors' collaterals.

#### **Implementation Process:**

222. At stage 1, URDP will inform local authorities and MSPs about this investment financing tool whose basic principle is that individual and groups cluster investments rely on sound business plans whose financing plan will be based on a shared repartition between the investor, mobilising 30% of the investment and URDP providing the 70% through a once-off cluster investment partnership (CIP). This agreement acknowledges that the investors will also support VAT since their annual sales are less than TL100,000 and they are therefore taxed on a lump-sum basis and exempted from VAT declaration. In actual terms, a CIP beneficiary will contribute around 40% of the investment, tax included. It is estimated that around 30 individuals can benefit from cluster investment partnerships respecting target priorities.

223. In the concerned districts (mostly Merçin), a specific support will be provided to improve the pastoralists' livelihoods representing 80 % (purchase of the equipment) complemented by 20% of the beneficiaries' contribution in kind. Concerned MSPs will contribute to establish sound criteria to assess the actual livelihoods improvement needs and thereafter confirm that actual applicants comply with the set criteria. It is estimated that around 100 pastoralist households can benefit from this financing window.

224. At stage 2: Individual investments will be determined by the producers themselves with regards to opportunities that will emerge within the economic development cluster. These individual investments shall be determined and assessed on the basis of economic viability duly documented in an action plan comprising of the business and financial plans (established during the training support see subcomponent 1.3.2). The URDP support package will also contain fiscal education for producers to better understand and optimise their status regarding taxes (income tax and VAT).

225. At stage 2-3: the investor (producer) who wishes to benefit from the cluster investment partnership (70%) is to complete the financing plan and provide evidence of funds mobilisation.

226. **Link between CIPs and loans:** Linkages between CIPs and loans are an eventuality that URDP will support but not directly impose due to the current low penetration rate of the financial insti-

tutions in the targeted upland areas. Linkages between CIPs and loans will be demand driven, when the CIP applicant will do his/her business plan that includes the investment plan and the financing plan. During that process URDP will support and through the improvement of financial literacy to improve (i) the quality of the demand (of financial services) by rural investors - economic feasibility of the project, identification of sources of own funds- thanks to FSP specific training and (ii) the quality of the offer encouraging financial institutions to proactively present their financial products to rural investors - invitation to interact with MSPs, observation of the economic viability of the business plans, adaptation of the level of collaterals (see component 2). In such context, URDP will contribute to bridge the current gap between rural uplands investors and financial institutions. To use banks' financial services to complement a financial plan will become a feasible option more and more attractive for the rural upland investor. This may occur within a CIP if the investor have decided to use a loan from a financial institution to mobilise his/her 30% share.

227. A non-exhaustive list of potential individual investment comprises: barns (including portable barns), insulated tents and solar power, individual pond, fruit/nut orchard establishment eventually combined with vegetable irrigation system. Individual investments can also be in economic infrastructure (see sub-component 1.2).

**Table 25: Tentative list of individual productive investment**

Individual improvement of value chains	per EDC	phase 1	phase 2	total
barns (including portable barns), pond, fruit/nut orchard improvement fruit/nut orchard establishment vegetable irrigation system greenhouse...	30	1 200	1 200	2 400

228. Quantities and type of productive infrastructure are indicative and will be driven by a demand that will change with the evolution of the overall context impacting on investors' choice: for example if EDC is equipped with a common cold milk storage unit, more people may wish to engage in dairy activity and invest accordingly; if the area opened a fruit and vegetables market/sorting/collecting centre, more people may wish to invest into irrigation/green houses.

229. This subcomponent only accounts for investors benefiting from a URDP cluster investment partnerships. Other individual and group investors will benefit from URDP training (see subcomponent 1.3.2) to access financing by the banks (see component 2).

**Sub-component 1.5: Regional branding and geographical indication**

230. *Outputs:* 10 products have obtained a geographical indication.

**Implementation Process:**

231. Quality control and geographical indication are a mid-term objective to leverage and protect the specificities of the products in the uplands. Once certified, these products can create value for upland communities (including pastoralist and agro-pastoralists families) through products that are deeply rooted in tradition, culture and geography. They support rural development and promote new job opportunities in production, processing and other related services. The main advantages of this recognition is the possibility to sell the products for a premium price (between ten and twenty percent higher than a similar non-branded product), in dedicated sections of supermarkets or specialised shops through the caption of a niche market of upper-class urban consumers who are willing to buy at higher price. Examples could include speciality honey (e.g. chestnut-honey), local cheeses, cattle fed on rangelands, fruit and vegetables (such as the recently registered Kastamonu garlic) valued by a broader audience.

232. Since the application need to be borne by an organisation (no individual requests are allowed), MSPs may be brought together to advocate such process with the adequate partner (chamber of commerce, chamber of agriculture, producers' association, cooperative union. It can also be borne by a public entity as a district or a village). Once identified, the applicant, in close collaboration with PDA, will start a documentation process.

233. According to the law requirements<sup>86</sup>, an application must be supported by technical documentation detailing: "...description of the product, technical information and documents explaining the physical, chemical, micro biological and similar characteristics of the product and if necessary of the raw material, production techniques of the product and if relevant the authentic and specific local techniques and conditions, information and documents evidencing that the product conform to the respective definition of the geographical sign, the definition of the geographical area, information and the documents clearly indicating the geographical boundaries, information detailing the labelling, marking and the means of using the registered designation of origin or geographical indication." Such documentation will be produced by recognised academic/research works. Documentation constitutes the main costs since the new law lowered the on-line registration costs to TRY 80 to encourage organisations to apply for certification. The law also requires the organization to provide in the application information detailing the inspection structure and thereafter to submit inspection reports.

234. The regional units will facilitate the process to register obtain such geographical indication in coordination with the Turkish Patent and Trademark Office institution that has a specific department dedicated to agricultural and traditional products. Such process may involve specific studies that could be outsourced (universities).

235. **International study tour:** Although uplands can be considered as marginal areas compared to the lowlands commercial farming, such situation has been improved in other countries where uplands' clusters have been branded on the basis of their specificities and develop an inclusive rural economy (niche market let family farming, ecotourism).

236. Study tour to such identified areas would allow project stakeholders to have a better common understanding at the beginning of the project; another similar study tour involving EDC leaders would allow them to better prepare the exit strategy and the way forward to sustain initiatives beyond the project time span.

#### Summary of the key features of component 1 financing partnerships

237. The following matrix provides an overview of the different URDP financing partnerships, the indicative ceiling (in EUR), the level on co-financing, and the direct and secondary beneficiaries.

**Table 26: URDP financing partnerships**

Category	Indicative ceiling in EUR	URDP contribution	Partner contribution	Tax	type of investors	Secondary beneficiaries
Cluster Investment Partnership	14,500	70%	30%	investor	Individual, groups	Individual, group members
Youth entrepreneur start-up package	5,000	70%	30% kind or cash	investor	Young trained entrepreneur	Youth
Pastoral livelihood's improvement	5,000	80%	20% in kind	GoT	Yörük households	Yörük community members
Privately shared economic infrastructure	25,000	75%	25%	investor	Cooperative, union	EDC stakeholders
Public Economic Infrastructure	150,000	100%	x	GoT	Local Government	EDC stakeholders
Rural roads		60%	40%	GoT	Local Government	EDC stakeholders

238. The CIP concept is based on the experience gained from other on-going IFAD projects in Turkey. Both MFAL and the CPMU, that will be based in MFAL and actually benefits from experienced staff managing in-country IFAD operations, are equipped in term of procedure and flows of funds, to set and implement the CIP system. The proposed procedure is based on the one followed in the current projects, with the addition of the involvement of the MSP at the beginning of the process to participate in setting the conditions to be fulfilled to access CIP and to facilitate a smooth implementation of the procedure and a respect by all parties of the CIP, all over the process.

<sup>86</sup> <http://www.turkpatent.gov.tr/TurkPatent/resources/temp/3C9A2B3B-5C1C-4BE4-BC89-810615402C59.pdf>

239. CIP is highly justified by the low level of net incomes of the upland community beneficiaries, estimated at TRY40,000, while the ceiling economic investment amount is estimated at TLY60,000. The current very limited access to financial institutions for this segment of the uplands population means that potential investors would have to self-finance 100% of their investment.

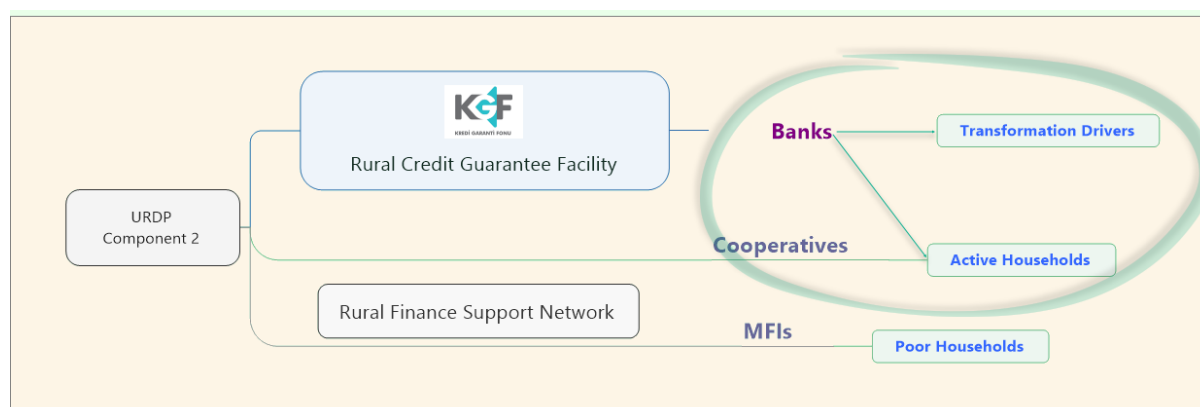
240. In order to alleviate this burden and to align the intervention with other governmental interventions in neighbouring provinces (50% grant of the investment -tax included- in the national youth investment programme), URDP will adopt an approach combining (i) the once-off partnership defining a shared financing between the investor, mobilising 30% of the investment and URDP providing the 70% (the investors will also pay VAT since their annual sales are less than TRY100,000 and in actual terms, a cluster investment partnership (CIP) beneficiary will therefore contribute TRY30,000 equivalent to almost 45% of the investment, tax included, which still remain attractive with regards to other programmes) and, (ii) the improvement of the access to financial (see component 2) and non-financial services (economically viable business plans, financial literacy, fiscal literacy...) to encourage first investors to pursue their economic development with financial institutions.

241. The crowd-in effect has been observed in similar programmes, once both financial institutions and investors have (i) an actual experience of the economic viability of the investment and ii) a robust financial guarantee set-up that does not just rely on investors' collaterals.

## Outcome 2. Increased utilisation of financial services

242. This component intends to promote financial inclusion in the targeted areas thus expanding agricultural and agribusiness investment plans, consequently improving livelihoods and increasing employment opportunities for the rural youth, women, smallholder farmers and the focus group in general. To do so it intends to setup a credit guarantee scheme that will reduce collateral requirements for new investment loans and a rural finance support facility that will improve the bankability of new investment loan proposals and will strengthen the ability of the poorest segments to graduate as business people who can undertake profitable rural initiatives.

243. URDP focuses on three distinct target groups in the uplands of Turkey: (i) *Poor rural households* with monthly income below TRY 2,000 coming from agriculture, forestry and other off-farm activities; (ii) *Economically active with upside potential* i.e. smallholders and/or small-scale processors who



typically own 1 ha of farm land; 10 or more cows; 50-100 sheep and goats, or orchards and 100 -150 beehives; (iii) *Transformation drivers* who are the lead farmers, agro-entrepreneurs and role models to demonstrate the viability of rural employment opportunities.

244. URDP's component of inclusive finance will address the financing needs of all three groups responsively and comprehensively through its two subcomponents. Subcomponent 1 will establish a credit guarantee facility to support the development of rural MSMEs in the project areas, while subcomponent 2 will provide a rural finance support facility that will improve the creditworthiness of all three target groups.

**Figure 14: Increased Utilization of Financial Services**

### Sub-Component 2.1: The Rural Credit Guarantee Facility

245. The entrepreneurial enthusiasm of the Turkish farmers has been demonstrated in relevant surveys, along with their frustration stemming from the inability to meet collateral requirements and finance new investments through credit. The introduction of the Rural Credit Guarantee Facility (RCGF) will provide the necessary security to the banks to extend farmer loans in the uplands, thus: (i) improving financial inclusion of the target groups and access to a wide variety of financial services, including savings, investment and working capital loans, insurance and remittances; (ii) encouraging the banks to forge stronger and more permanent links with the upland agricultural and rural sector and increase their capacity to identify and properly assess the credit risks linked to rural businesses; and (iii) eventually tailoring new financial products and services for the upland rural communities with focus towards the development of agricultural value chains and the retention of youth.

246. The RCGF will operate under the auspices of the existing and operational KGF and with the same *modus operandi* as the portfolio guarantee system adopted for Treasury supported guarantees. As mentioned before, the Treasury pledged an amount of TRY 25 billion to KGF as a counter guarantee that will leverage TRY 250 billion from the banks to boost the sluggish economy and support SME development. Similarly, URDP earmarks an amount of EUR 5 million for the RCGF. This amount will be entrusted to KGF (in consecutive tranches of EUR 1 million) by MFAL (the implementing agency) as a guarantee that will raise up to EUR 50 million in loans from the banks, only this time targeting specific geographic areas and specific user profiles. KGF is willing to support RCGF with additional own equity at a ratio of 25(KGF)/75(IFAD), as well as investing EUR 2.5 million of its own financing in the RCGF.

247. The guarantee coverage offered to the banks will be for 80% of the principal of each loan and up to 7% accumulated loss (cap). The rest of the modalities remaining the same i.e.: a) KGF will not charge operating cost to the project (operating cost will be absorbed by the banks and the loan applicants), b) guarantee processing time will not exceed two days; c) criteria for the selection of PFIs will include portfolio performance, commitment to beneficiaries, presence in the uplands, reasonable financial products to serve the target groups, experience in rural financing, leverage, and credit review, d) KGF should provide comprehensive statistics to the PMU of URDP on loan performance, once a month, e) trigger for calling guarantee claim will be 90 days after non-payment, with the bank being required to start legal procedures to recover dues in default and distribute them following the *pari passu* principle (if/when recovered), f) guarantee granted by KGF should be used within 6 months, g) new loan capacity will be created with repayments of existing loans taken with KGF guarantee, h) all relevant authorities will supervise and regulate the effect of the guarantee system to the economy, i) a Steering Committee consisting of MFAL, KGF, Ministry of Development and URDP PMU (subject to IFAD's no-objection) will review and revise RCGF's operation and strategic direction, twice a year (March and September). This same Steering Committee will decide on the formula that will determine the quota for each PFI after proposition of KGF based on its current experience (subject to IFAD's non-objection).

248. This is an optimal arrangement for the RCGF that benefits from: a) professional management of the guarantee from the KGF which is successfully operating for more than 20 years with independent management and specialized staff; b) an operational rural risk mitigation and management system adopted by the banks (TARDES or own systems); c) already existing and well-functioning reporting systems; d) tight supervision and control from Treasury and the regulatory authorities; e) the trust that banks have developed to this system; f) an operation that has proven its sustainability and can guarantee the sustainability of RCGF even after the end of this project, further augmented by KGF's own investment in the URDP.

249. When KGF offers guarantees from its own equity it charges 2% to cover operating costs (and risk involved). KGF will be charging a 0.5% guarantee fees to be paid by PFIs for RCGFs mixed capital structure (25% KGF / 75% IFAD). The participation of KGF with own equity will ensure its stronger commitment to the success of RCGF's objectives, a closer monitoring of RCGF's performance, as well as experienced feedback for improving and streamlining its operation. Furthermore, the Treasury will be investing the idle part of the EUR 5 million total that will be yielding returns on investment into secure financial instruments (e.g. government bonds). Accumulated income would be set aside to eventually recapitalize the RCGF.

250. The banks are also keen in adopting the RCGF through the KGF. As mentioned in earlier chapters, 10 public and private banks operate already in the rural areas offering products specific to agriculture and agri-businesses ranging from large loans directed to agricultural corporations, to credit for

SME and MSME development and even at micro level (10% of of Ziraat's agricultural loans are under TRY 10,000). Some have even developed electronic methods of money transfer via farmer friendly debit and credit cards (e.g. Sekerbank provides farmer credit cards with a limit of TRY 5,000). The liquidity of the banks is more than sufficient to cover for the leverage allowed by the RCGF (10 times). KGF PFIs have managed to issue more than TRY 150 billion credit, in a few months since effectiveness of the Treasury counter-guarantee (Turkey has a long history of migration and relevant inflows of remittances are substantial element of the economy). PFIs will be selected on their capacity to operate in the uplands. Most banks with an inclination towards the rural communities already have branches in the target areas or mobile branches and dedicated loan officers or representatives. It is expected that through the RCGF this network will be extended and expanded to better service the uplands. Finally, new financial products are expected to emerge geared to the needs of the target group and especially for the active households and the transformation drivers. PFIs will be requested to participate in cluster meetings to ensure buy-in from the Banks and feedback to the beneficiaries.

251. The establishment of the RCGF will require signing of legal documents (protocol) binding the involved parties (MFAL and KGF), performance based agreements and the development of a sound monitoring and evaluation mechanism within URDP's PMU. Information on RCGF's operation will be essential to divert funds according to the project's needs. The project will have to make sure that tools and procedures are in place and then disseminate relevant information to potential PFIs in order to attract their involvement in the project. Target groups on the contrary should not be aware that loans are guaranteed so as not to neglect repayments. Experience from other guarantee schemes indicate that at borrower level there is a risk of moral hazard. Borrowers tend to feel less compelled to repay loans when they know that banks are covered for non-repayment. This risk can be avoided by requesting lenders not to disclose that loans are protected with guarantees.

252. The ACC is the agency *par excellence* currently serving the economically active households of the rural areas, offering financial products more suitable to URDP's active households. The ACC currently does not belong to the KGF PFI network (not yet eligible). ACC is making efforts to be included in the KGF's PFIs that may or may not prove successful. Ziraat Bank is the next best alternative to service active households in the uplands with its large branch network, ATMs, mobile units and soon representatives in every village through its forthcoming cooperation with the Agricultural Insurance Company. Should Ziraat and other banks do not prove sufficient to service the lower strata of URDP's active households, and ACC cannot be part of KGF's PFIs, URDP can explore alternative solutions. ACC can for instance borrow from Ziraat Bank (benefiting indirectly from KGF guarantees) to on lend to URDP's clusters.

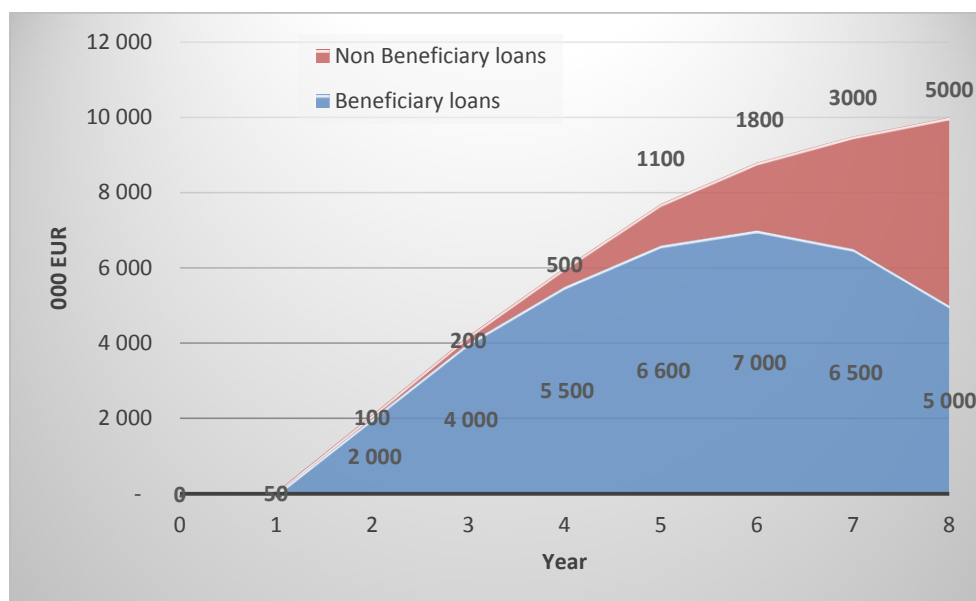
253. RCGF will initially focus on financing investments led by clusters, developed under URDP as well as providing individual loans to finance own participation for accessing grants. RCGF will offer a) transactional loans to allow cooperatives and traders to purchase the increased output of the clusters, b) working capital type of loans to permit farmers to increase production and c) investment type of loans to promote clusters deeper into the value chains. The PFIs will be given freedom to develop specific products to cater the needs of the target group. As the project develops, RCGF will expand its reach to non-beneficiaries (*Figure 15*).

254. Eligible borrowers will be those investing in agriculture, agribusiness, or off-farm activities in the uplands (proven activity in a project region higher than 600m). Initially eligible borrowers will be project beneficiary clusters but after the third year of the project, RCGF's reach will be expanded to non-beneficiaries as well. Transformation drivers (input suppliers, processors etc.) who operate in areas lower than 600m, but service directly upland producers, will be also eligible, only and only if their activity does not compete with existing upland transformation driver. The size of loans will range between TRY 10,000 and TRY 30,000 for individual applicants that will aggregate in much larger group loans, according to the size of the cluster. Larger loans up to TRY 200,000 will be available for transformation drivers. The size of businesses will not be initially limited, but as the project progresses consultative reviews (during supervision and support missions will provide insights to be transmitted to RCGF's Steering Committee for approval).

255. RCGF will start preparing the ground (outreach PFIs and disseminated URDP's priorities) for the first year and will launch full force only after the first year. It is expected to service mainly beneficiaries until its fifth year of operation and then to focus on non-beneficiaries to secure its sustainability. PFIs will be advised to avoid using guarantees for extending loans to repetitive clients who have already proven their creditworthiness, thus gradually developing a culture of rural financing without the

need for a guarantee. *Figure 15* below depicts an indicative credit disbursement schedule of the RCGF guaranteed loans.

*Figure 15: Indicative credit disbursement schedule guaranteed by the RCGS*



256. The poor households will need more targeted support to gradually become business people who can invest their own capital and be eligible for cluster investment partnerships. URDP will involve relevant MFIs who can lead the poorest segments in a savings and credit discipline until they graduate to become a member of the ACC or the formal financial sector. There are at least two relevant institutions operating in Turkey among them, the Grameen Jameel microfinance program. URDP secures in this way financial inclusion for all three targeted groups pertinent to each group's specific needs.

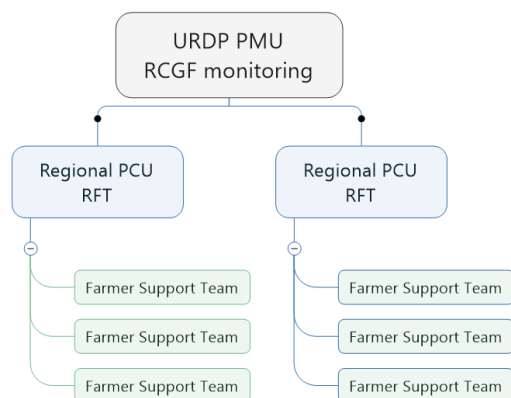
257. As with the case of EU's IPARD grants URDPs cluster investment partnerships are not expected to crowd out demand for RCGF induced credit. IPARD and other matching grants have been supporting agriculture in Turkey for years crowding in rather than crowding out rural credit (banks have even developed specific IPARD loans). Many farmers are using loans as bridge financing (grants are requiring own participation often not available to rural farmers who are replacing it with loans) and banks accept grants as collateral.

258. The final establishment protocols that will guide the flow of IFAD funds to the RCGF may need some adjustments and there may also be a need to issue additional regulatory and legal amendments to allow for smooth operation. MAFL, MoD, Treasury and the Ministry of Finance are in ongoing discussions on the exact scope of such adjustment and how to speedily implement them. Consequently this subcomponent may have a slightly delayed start, should the needed adjustments take longer than expected to implement. All parties have expressed their commitment to assist in ensuring rapid commencement of the activities.

### **Sub-Component 2.2: Rural Finance Support Network**

259. The establishment of a strong partnership between the RCGF, the target groups and the PFIs (banks, ACC, MFIs etc.) is a critical success factor for this project. URDP foresees a rural finance support network that will liaise with the banks, the cooperatives and the MFIs and enhance their seamless cooperation and multilateral capacity development with the target group. This network will be comprised of two regional rural finance / targeting experts (RFT) to cover the project's two geographical areas; six financial motivators (FMs) / members of the Farmer Support Teams (FSTs) who will promote the culture of healthy financial inclusion within their specific clusters and will assist in elevating the poorest segments of the target group to higher degree of financial robustness and; a monitoring expert to observe the operation of the RCGF.

Figure 16: Rural Finance Support Network



260. The rural finance / targeting specialists (RFTs) will be positioned in the two regional PCUs on a full-time basis and will work in full cooperation with the 6 FMs that will be part of the FSTs (as described in Component 1). The monitoring expert will be transmitting feedback on the progress of RCGF so that all beneficiaries can be linked with the financial sector.

261. RFTs and FMs will be charged with a series of tasks as the project develops:

262. a) **Inception phase:** during this phase the RFTs together with the FMs will liaise with the various segments of the target group with the aim to understand and cluster common financing needs. They will communicate the programme's objectives to the farmers through radio broadcasts and on-site visits and will open a communication link (e.g. telephone line, customer service) to respond to questions and queries of the target group. That will enable them to have a clear understanding on how to promote their development. They will liaise with farmer's organizations, groups and cooperatives which they will use as channels through which they will have access to a larger audience.

263. In parallel RFTs will liaise with PFIs, ACC and MFIs to also communicate the project's objectives and see how they can participate to KGF's selection process. RFTs will develop and disseminate relevant promotion material and organize learning events through which PFIs will interact with the project so that all sides agree on the mutual expectations. RFTs will register and catalogue PFI's, ACC's and MFI's offerings and to channel appropriate demand to relevant supply of financial services.

264. b) **Implementation phase:** during this phase RFTs in cooperation with the FMs will create awareness amongst beneficiaries on the available opportunities for responsible borrowing, its potential for business development and the means through which it can be accessible according to each farmer's financial status. RFTs, in cooperation with the FMs, will organize relevant learning events to establish consensus among participants and initiate a spirit of cooperation between farmers. RFTs will work with groupings, clusters and individual farmers to develop personal and communal action plans for individual and collective development to which they will assign benchmarks and milestones. Consecutively RFTs will work with selected beneficiaries from all the target groups to enhance the status of their financial literacy and start developing business plans.

265. In parallel RFTs will continue cooperation with the PFIs through which they will get feedback on the PFIs' expectations on the format and quality of credit applications, appraisal methods and other relevant modalities. This will permit RFTs to act as a first layer of appraisal of farmer's applications. Once business plans have reached maturity, RFTs will channel them to appropriate PFIs. This process will save time and effort to the PFIs who will not have to necessarily go to the remote areas and will create an environment of trust between the PFIs and the project.

266. RFTs will return feedback to the credit applicants. They will also continue organizing learning events through which they will disseminate notions like: The Credit Registration Bureau (FINDEKS)<sup>87</sup> and how this can affect their creditworthiness; the Agricultural Loan Evaluation System (TARDES) and

<sup>87</sup> FINDEKS is keeping records showing payment history for loans that are still active and those that have been closed in the past 5 years. It also issues certificates of creditworthiness for borrowers who appear in the system.



how this affects their credit applications; and most of all to share success stories and lessons learnt from unsuccessful applications. RFTs will also assist with modalities of credit applications (legal and bureaucratic procedures).

267. Throughout this period RFTs will monitor progress of business plans as well as this of action plans. They will make recommendations for clustering and will liaise with PFIs for the development of new financial products and services that will promote value chain development in the uplands. They will network with appropriate PFIs for the development of remote payment methods (like e-money) to help both beneficiaries and PFIs in saving travel time and distances.

268. RFTs will work together with MFIs to engage with the poorest segments of the target group. RFTs together with the MFIs will assess the beneficiaries' capacity and initiate appropriate learning events. Through cooperation with the MFIs beneficiaries are expected to discipline themselves in a savings and credit regime that will allow them to graduate to the formal financial system and secure their livelihood.

269. c) **Wrap-up phase:** during this phase, the RFTs will start phasing out. Throughout the project's lifetime they will create strong ties between the rural communities and the PFIs and MFIs. They will therefore leave a sustainable system operating even after the end of the project.

#### **Additional performance indicators**

270. The below indicators have been proposed to bolster monitoring and evaluation efforts and will be incorporate into the URDP-wide M&E system once established.

##### *Outcomes*

- Percentage of people/households reporting using rural financial services (Core indicator 1.2.5)

##### *Outputs*

- Number of persons in rural areas accessing financial services (Core indicator 1.1.5)
- Number of loans provided using the credit guarantee scheme
- Value of loans provided to beneficiaries (in USD)
- Portfolio at risk >30 days
- Loans at risk > 30 days
- Repayment rate
- Number of persons in rural areas trained in financial literacy and/or use of financial products and services (Core Indicator 1.1.7)
- Number of persons in rural areas accessing financial services (Core Indicator 1.1.5)



## **Appendix 5: Institutional aspects and implementation arrangements**

503. This section describes the governance of the programme as well as the role of the main implementing partners. A key ambition is to promote institutional development among the core partners. The URDP will contribute to institutional development and outcomes in several ways, including: 1) further evolution of the Central Programme Management Unit (CPMU) in the General Directorate for Agricultural Reforms (GDAR), MFAL, which will have overall responsibility for implementing URDP (see below); 2) development and establishment of institutionalised systems and advisory services for the promotion of smallholders market integration and clustering; 3) capacity development of participating financial institutions; and 4) support to and expansion of public private partnerships in infrastructure and financial sector development, including the establishment of the RCGF.

### **Governing the URDP: Key Partners and their responsibilities**

504. The organisational chart below presents an overview of the main governance arrangements. Overall responsibility for URDP management and implementation will rest with the GDAR and it will be responsible for providing overall policy guidance and oversight.

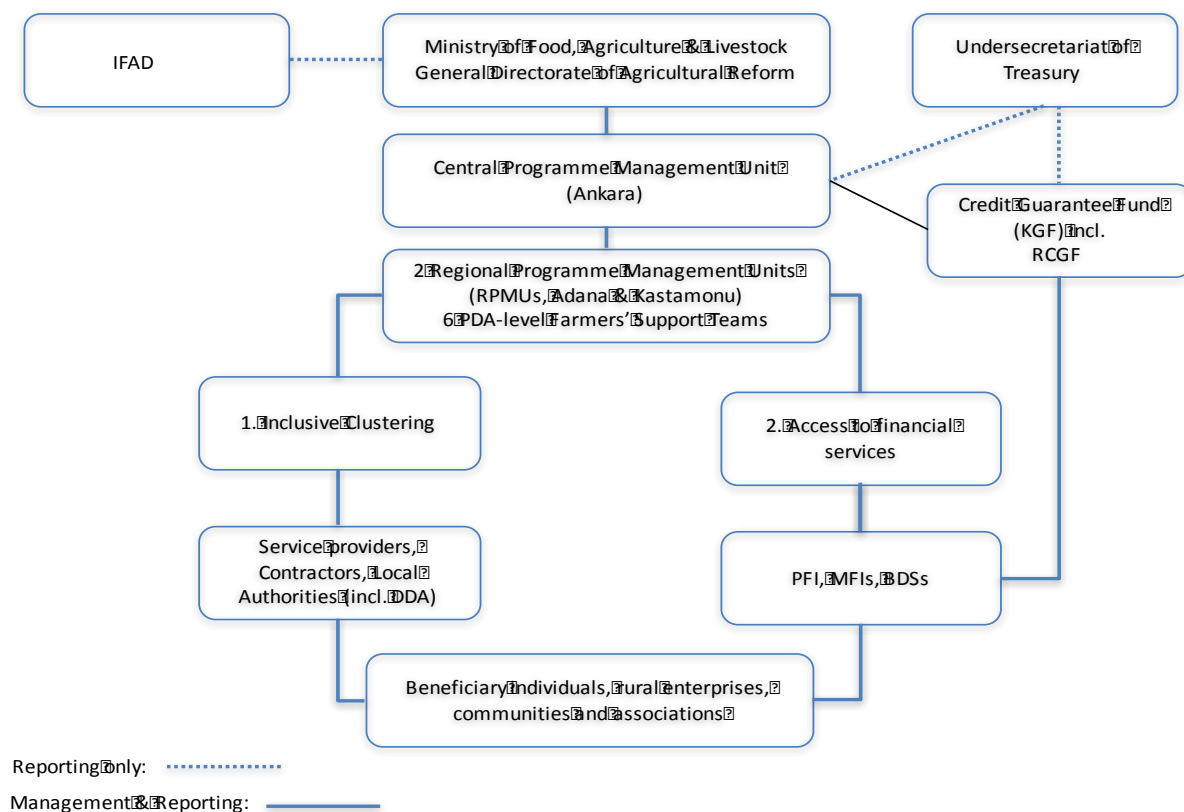
505. Day-to-day management and implementation of the programme will rest with the existing CPMU, which has established a robust and well-recognised track record of competent and diligent programme management. However, the fact that the CPMU is already stretched in terms of capacity to undertake additional tasks, it will be important to expand the outsourcing of non-core tasks to capable services providers, such as research centres, academia, agro-service companies, NGOs and consultancies. CPMU already has experience in managing such outsourcing relations, but additional capacity development for contract management especially for civil works may be considered.

506. The principal functions of the CPMU will be to carry out the overall programming and budgeting of URDP activities, take the lead in facilitating implementation - in cooperation with RPMU, FSTs services providers, infrastructure contractors, beneficiary institutions, such as farmer-based organisations, PFIs - and to monitor and document programme progress.

507. Specifically, the CPMU will assume the responsibility for generating the Annual Work Plans and Budgets (AWPBs) to be submitted to GoT and to IFAD for no objection. Likewise, the CPMU will take the lead in the procurement of civil works and goods and services. The CPMU has proven to possess an adequate skill mix commensurate with the tasks entailed in the proposed URDP.

508. The two regional programme management units will be responsible for overseeing and guiding implementation in the (initially) six provinces and will have staff based in Kastamonu and Adana respectively. There will be (six, initially) farmers' support teams, one in each province and under the PDAs. More details regarding the component specific governance modalities are presented below.

**Figure 17: Organigram of the URDP governance modalities**



### Component 1: Inclusive clustering

509. The first component, is subdivided into 5 sub-components whose implementation will be coordinated at the two URDP regional levels based (i) in Adana for the Eastern Mediterranean region comprising the Adana, Osmaniye and Mersin provinces and (ii) in Kastamonu for the Western Black Sea region comprising the Bartın, Kastamonu and Sinop provinces (in phase 1). Adana and Kastamonu PDAs have confirmed their intention to host the two regional units. Each of the two RPMU will back-up and support a set of three provincial farmer support teams (FSTs) based in each of the 3 targeted provinces per region (see table below).

510. All RPMU and provincial staff will be seconded from provincial and district departments of agriculture (PDAs/DDAs) to the programme and they will be accounted for in the programme costs as part of the Government of Turkey contribution. In addition, the RPMU will need to engage with PDA rural engineers to source expertise in economic infrastructure design. Technical assistance (TA) is required to support RPMU to successfully reach the expected outcomes in the areas of gender, targeting and youth.

**Table 27: Organisational set-up - Component 1 and 2 (phase 1)**

National	CPMU					
	1 minibus					
2 Professional back-up expertise based in Regional Programme Management Units (RPMU) (10)	Western Black Sea (5) 1 youth and social inclusion expert 1 marketing/value chain/infrastructure management 1 horticultural expert (tech. I and market) 1 animal development expert (tech. & market) 1 rural finance/targeting expert 1 vehicle 1 minibus 4 seaters			Eastern Mediterranean (5) 1 youth and social inclusion expert 1 marketing/value chain/infrastructure management 1 horticultural expert (tech. I and market) 1 animal development expert (tech. & market) 1 rural finance/targeting expert 1 vehicle 1 minibus 4 seaters		
6 Provincial Farmer Support teams (18)	Kastamonu (3) 1 market /rural finance 1 social 1 technical 3 vehicles	Sinop (3) 1 market /rural finance 1 social 1 technical 3 vehicles 1 minibus 6	Bartın (3) 1 market /rural finance 1 social 1 technical 3 vehicles 1 minibus 6	Adana (3) 1 market /rural finance 1 social 1 technical 3 vehicles	Osmaniye (3) 1 market /rural finance 1 social 1 technical 3 vehicles 1 minibus 6	Mersin (3) 1 market /rural finance 1 social 1 technical 3 vehicles 1 minibus 6
40 Economic Development Clusters (EDC)	7	7	6	7	7	6

511. Back-up expertise units (2 RPMUs) will be composed of 5 higher qualified technical staff in the key following sectors: (i) youth and social inclusion expertise; (ii) vegetable / orchard development expertise; (iii) animal development expertise (cattle, dairy, sheep, goat); (iv) uplands value chain and market access; (v) rural financial services (see component 2). A vehicle fleet of 1 vehicle and a minibus will be allocated to RPMUs to guarantee a permanent access of the staff to the EDCs and to effectively back-up provincial farmer support teams. Minibus use is to be planned to effectively support MSP meetings in the various EDCs.

512. Farmer support teams (6 units) will be composed of 3 qualified technical staff comprising of a market/value chain and rural microfinance officer, a social development officer (responsible for gender and youth), a technician (according to the main commodity). A fleet of 3 vehicles and a minibus will be allocated to the team.

513. Updated training of trainers is to be organised by the back-up expertise units to ensure that the farmer support teams can provide the expected facilitation support in terms of social engineering (mobilization, capacity needs assessment, building of social capital in the cluster, establishment of governance mechanisms and management skills), technical and economic skills, as well as mobilization, capacity assessment and development of producers' organizations.

#### RPMU professional back-up expertise

514. The principal functions of the RPMU (supported by their respective FSTs) will be: (i) to support the CPMU to carry out the overall programming and budgeting of URDP activities; (ii) to be responsible for implementation - in cooperation with districts, business development partners and other services providers, contractors, beneficiary institutions such as producer unions, associations and cooperatives and transformation drivers; (iii) to monitor and document programme progress; and (iv) to draw out the lessons learned from the programme implementation model. The tasks of the back-up professional expert units are described in annex 1.

515. **Technical Assistance for selection criteria in the PIM:** a consultant could be hired to support the CPMU / RPMU to formulate proper screening methodology for beneficiaries' selection. Furthermore, additional training will be provided on how to apply the specific selection criteria/ group screening methodology.

516. **Technical Assistance for Household Methodology:** A special TA will be required to train FST on household methodology and the programme will make provision to hire a service provider (HHS

methodology international consultant) to provide training to implementers and support development of training materials and adaptation to national materials in use.

### **Farmers support teams**

517. The principal roles of FSTs in the programme include: (i) supporting the identification of EDCs with the necessary agronomic conditions and generating farmers interest for production of each product in the production catchment area; (ii) interacting with local authorities to inform them about the programme progress; (iii) leading the mobilization of interested farmers and multi-stakeholder processes into the programme; (iv) facilitating the selection by farmers themselves of their technical demonstration set-up; (v) participating in the multi-stakeholder platforms meetings as technical experts and service providers; and (vi) providing technical advice to farmers in preparation and implementation of their detailed business plans.

518. FSTs are the programme interfaces with EDCs and the uplands communities (local authorities, multi-stakeholder platform and its committees). Given their peculiar role to work with farmers, they are also in charge of the programme key activities when starting interventions in EDCs, and particularly social mobilisation (stage 1). The programme will need to couple existing capacities with technical assistance and service providers (national/international consultant).

519. This is particularly relevant for the provision of trainings around the following areas: business skills, development of business ideas, business plan preparation, for which specific technical support might be required and special service providers (i.e. master trainers) shall be hired by the programme for the delivery of the services. The same apply for training staff on key tools of the household methodology.

520. **Other implementing partners for Component 1** will be engaged in delivery of specific core activities in the programme (specially technical trainings and specific studies), and include the various producers' organisations (associations, cooperative and unions) at district and provincial levels<sup>88</sup>.

521. With regards to public economic infrastructure, local authorities (district, village) will also be the primary partners in the selection phase and also in supervision of the works and subsequent operation and maintenance. Most often the local authorities will be the recipient and responsible for maintenance of infrastructure, hence their engagement when this mandate is transferred to a specific management body through a local PPP, is particularly important. In addition, the programme will engage with local designing companies licensed in designing irrigation systems and roads and competent contractors. All recruitments shall be done through bidding process.

### **Sub-component 1.1: Establishment of EDC Multi-Stakeholder Platforms**

*Main implementer:* Farmers Support Team

PDA professional back-up expertise team (RPMU);

*Other implementation partners:* Producers' organisations (cooperative, associations and unions)

271. **Community mobilisation.** FST will be responsible for community mobilisation in the EDC during the various stages of intervention: at stage 1 and 2, FST will work at EDC level, including the involvement of village-level existing organisations (e.g. cooperatives) and local/traditional institutions (i.e. mukhtars<sup>89</sup> and local councils) to mobilise and sensitize communities to adhere to the programme approach and enhance the demand driven nature of the intervention. This activity will consist of public consultations with the community as a whole and separate interaction with special groups, such as women and youth. The RPMU gender and social expert will be directly responsible for separate consultation with those groups and their consequent mobilisation within the activities that the MSP will organize.

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<sup>88</sup> While cooperatives can be at all levels (village, district and province), breeders associations are for example existing only at provincial level (by law). Producers' unions however can exist both at provincial and district level. In some provinces they are mostly at district level. For this reason, a distinction is made between 'district and/or province' and 'village' levels. At village level, only primary cooperatives can be found.

<sup>89</sup> In each village, mukhtar is the highest elected authority of the village. There is no mayor in a village.

272. **Identification and selection of participants.** Participant selection will be based on self-targeting (farmer's motivation/commitment) as well as purposive targeting mechanisms as per categories defined in the targeting section and percentage of their participation (i.e. 60% subsistence farmers/ 35%farmers producing a surplus and 5% transformation agent). Identification of groups will be demand driven. Once participants will express their willingness to establish a producers' organization the process will be guided by the clear selection criteria defined by the URDP at the beginning of the programme, and an opportunity analysis which will include among others: (i) assets; (ii) level of income dependent on the farm production activities; (iii) willingness and preparedness to participate in the programme; (iv) age; and (v) gender including consideration of affirmative quotas (30% women and 10% youth).

273. To ensure that the intervention will reach the intended target groups and avoid elite capture, implementing partners supporting the process of selection (FST) will receive induction training at the start-up phase of the programme. Technical assistance will be required during preparation of the PIM to ensure that the proper selection criteria and material for screening will be defined and integrated in the PIM. Further training for its explanation will be given by the RPMU and a service provider (i.e. consultant) to FST who are ultimately the responsible for the mobilisation and selection of participants.

274. **Identification of existing and/ or establishment of new groups and skills development for women and youth:** Once beneficiaries are identified, the programme, through the FST will facilitate the establishment of producers' organisations on the basis of their interest and choice (i.e. around a commodity, inputs provision, collective sales, etc.) and related trainings/services will be delivered to respective beneficiaries. Furthermore, awareness creation on gender will also be responsibilities of the FST, including introduction of tools from the household methodologies within capacity building activities.

275. Women's participation will be facilitated in a specific fora (that may evolve in a MSP committee) for their interest to be taken into account with regards to different types of activities: 1) to discuss their priorities for the productive and common economic infrastructure and elect their representatives in the MSP; 2) to participate in practical training and demonstration of improved production; and 3) to receive business skills and financial literacy training supporting their individual / group income generation activities leading to the preparation of business plan. The same principles as above apply to the youth.

276. Women and youth organized in (separate) groups around interests, will receive (indicatively) the following trainings: financial literacy, small scale enterprise management, support development of market access, market information and business plans, including planned approach to ensure market demand for sustainability of income generating activities undertook and increase value-added. Group formation will be the responsibility of the FST (including leadership training for young leaders and women leaders) while provision of specific technical and management trainings can eventually be outsourced to producer organisations (such as breeders' associations and cooperatives and their unions).

### **Sub-component 1.2: Cluster-supporting economic infrastructure**

*Main implementer:* CPMU / RPMU

Provincial Engineer will be seconded from PDA or recruited if necessary

Contractors will be sought through an open tender procedure

Farmers Support Team with PDA professional back-up expertise team;

*Other implementation partner:* Financial institutions in case co-financing is to be completed by a loan

277. Provincial and local government authorities will be sensitized about the URDP investment uplands in villages communities, their objectives and eligibility criteria.

278. Procurement of works and contract management will be the responsibility of the CPMU and local governments using Government of Turkey (GoT) guidelines and adapted procedures developed under other projects. Overall supervision of design services and civil works will be done by the CPMU/RPMU and PDA engineers.

279. In their respective qualities, the provincial engineer certifies the work certificates presented by contractors during site meetings attended by the representatives of the CPMU. The provincial engineer (or an infrastructure project manager nominated by the PDA to be the provincial focal point) will manage the process. In case the work certificate does not reflect the site meeting resolutions, the CPMU representatives will launch a contradictory evaluation of the works.

280. **Design and construction of public economic infrastructure.** As outlined in sub-component 1.1, MSPs will appoint a market advisory construction committee (MACC) to provide inputs to the design and construction process which will be implemented by selected contractors.

281. The location, type and capacity of economic infrastructures required in each EDC will be identified through comprehensive discussions within the MSP to identify the optimum location for semi-wholesale market places in terms of trading and appropriateness of required structures, to ensure the full utilization of constructed facilities. Discussions within MSPs will be facilitated by the programme's main implementers (FST/RPMU) under the supervision of the CPMU. Selection criteria for investment would include: stakeholder commitment (including eventual co-financing or construction of complementary infrastructure such as storage or PHH in the planned market area); access to transport infrastructure and capacity; and up-scaling opportunities).

282. The Provincial engineers will: (i) supervise the consultant firm recruitment process according to the developed terms of reference (ToR); and (ii) provide necessary engineering design, procurement and construction supervision support to site engineers who will be responsible for contract management.

283. The MSP will provide inputs to the design and construction process. It will nominate two delegates who will participate to site meetings as observers, in this capacity, they will be in a position to inform MSP about progress made and to contribute to quality assurance of the infrastructure with eventual unforeseen improvements.

284. Road design process. Development of engineering designs for the selected market roads will be undertaken centrally by licensed engineering consulting company(s) in accordance with the ToR developed by the CPMU/RPMU. The engineering consulting company will be competitively selected and contracted by the CPMU on a performance basis.

285. The design consultants will work closely with provincial engineering staff in the design process to ensure that the design meets the needs of the target communities and that all drainage and crossing structures meet the standard specifications.

286. **Community road construction committee.** The road construction committee will have 7-9 members from villages along the proposed road alignment. Road committees will be represented in the MSP of the given area since market roads are seen as part and parcel of the semi-wholesale market (without a passable road, the market cannot play its role). The Provincial engineers will assist the FST/RPMU to orient the road construction committees in the roles and assistance they will provide during:

(i) The road design process in which they will ensure that the design engineers fully understand the drainage and land ownership issues along the proposed road alignment. The committee will be duly informed about the final proposed route and layout;

(ii) The road construction process where they will attend site meeting as observers and report any significant variations to the agreed design during construction to the Provincial engineer for further action.

### **Sub-component 1.3: Farmers skills and organization**

287. Main implementer agent and implementation partners are detailed according to the kind of activities to be implemented.

288. **Role of producers' organisations.** In the context of the multi-stakeholder platform framework, the needs of the target groups will shape the involvement of existing organizations as well as establishment of new ones as well as formation of commercial companies. Support would also be provided to market-oriented organizational forms to enable them to benefit from economies of scale.



289. The programme will engage with different types of producers' organizations at different levels (cooperatives, unions and associations) with the ambition of encouraging their further organization into additional groups that could eventually become active local branches in the uplands. At cluster production level, livestock and producer associations will be contracted to provide support farmers to increase production and productivity of livestock and crop products. Where capacity is available, the farmers' organisations will facilitate exposure to good agribusiness practises to other farmers particularly the youth. Considering their mandate and experience, selected cooperatives at village or district level will be invited to coordinate with the PDAs/DDAs to co-manage economic/productive infrastructure (e.g. irrigation systems, milk coolers, etc.).

290. In order to perform their roles as partners, cooperatives, associations and producer unions that will be actively involved in the implementation of cluster activities will be supported with capacity development activities in order to fill their skill gaps in management and business skills.

Given the current low level of presence of women and youth within these organizations, the programme will engage with them in a process of gender awareness and sensitisation to ensure that, being co-partners and co-implementers- they comply with IFAD principles on gender equality and women empowerment and apply gender sensitive lens to their modus operandi to ensure that their service equally reach out URDP beneficiaries. The same apply for youth. FSTs will be responsible to promote activities in this regard.

### **Activity 1.3.1: New rural youth entrepreneurship**

*Main implementer:* Farmers Support Team

PDA (RPMU) professional back-up expertise in social inclusion

*Other implementation partners:* Farmers organisations (cooperative, associations)

291. PDA/RPMU will develop the training pathways while outsourcing possible technical assistance. An option could be considered to contract service providers from the market such as ILO relevant packages that have been developed and updated<sup>90</sup> for youth and GET Ahead (Gender Entrepreneurship Together)<sup>91</sup> for women (see appendix 2).

292. Overall responsibility of gender and youth related activity stay with the RPMU and the gender and youth specialist at regional level who oversee the work of the gender and social inclusion expert of the FST.

### **Activity 1.3.2: Supporting value chains and business oriented farming enterprises**

*Main implementer:* Farmers Support Team

PDA (RPMU) professional back-up expertise in agribusiness, value chains and market development;

*Other implementation partners:* Existing producers organisations (cooperative, associations, unions) financial institutions (as providers of non-financial services)

293. Farmers who are willing to work together will be mobilized into organizations by the FST social inclusion expert. The process will be demand-driven and will include several options such as: (i) become members of existing functioning organizations (e.g. cooperatives, breeders' associations and producers' unions); (ii) form common interest groups among the three types mentioned above; and (iii) form commercial enterprises (e.g. limited liability company).

294. The agribusiness and value chain experts will guide farmers in the cluster to identify the most suitable options based on: (i) farmers 'interest; (ii) a sound business analysis of the options based on the type of common commodity and/or service to be produced by the organization; and (iii) the different benefits provided by each type of organizations (e.g. more favourable taxation regime for cooperatives) as well as structural barriers to register as a particular association (e.g. minimum number of

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<sup>90</sup> <http://www.ilo.org/empent/areas/start-and-improve-your-business/lang--en/index.htm>

<sup>91</sup> [http://www.ilo.org/global/docs/WCMS\\_248085/lang--en/index.htm](http://www.ilo.org/global/docs/WCMS_248085/lang--en/index.htm)

animals/beehives) which may discourage new entrants and less wealthy farmers. Existing producer organizations will be consulted to have guidance during the opportunity identification process

### **Activity 1.3.3: training /supporting economic infrastructure management bodies:**

*Main implementer:* Farmers Support Team,

PDA (RPMU) professional back-up expertise in agribusiness;

*Other implementation partners:* Farmers organisations (cooperative, associations),  
Village committees (headed by the Mukhtar)

295. Relevant cooperatives and producers' unions with experience in managing economic infrastructure (e.g. Kastamonu Union of Cooperatives) will be involved to provide training and lessons learnt to the newly established management committees.

296. Training will comprise: legal aspects, linkages with local authorities and taxes, establishment of a user fee to ensure an economically viable management, strategic planning, business and investment plan, book-keeping, maintenance of the infrastructure, price and volume information, settlement of disputes. This training will be facilitated by the PDA farmers' support team that may mobilise producer organizations with relevant skills.

### **Activity 1.3.4: technical/extension support**

*Main implementer:* Farmers Support Team, PDA (RPMU) professional back-up expertise in production;

*Other implementation partners:* Farmers organisations (cooperative, associations)

297. Specific breeders' associations (cattle, small ruminants, beekeeping etc.) will be contacted to contribute to disseminate market oriented technical innovation to their members after being trained when and if needed.

### **Sub-component 1.4: Individual investment in productive infrastructure**

*Main implementer:* Farmers Support Team

PDA professional back-up expertise team;

*Other implementation partner:* Financial institutions in case of cluster investment partnerships to be completed by a loan.

298. CIP is built on the experience gained from other on-going IFAD projects in Turkey. Both MFAL and the CPMU, that will be based in MFAL and actually benefits from experienced staff managing in-country IFAD operations, are equipped in term of procedure and flows of funds, to set and implement the CIP system. The proposed procedure is based on the one followed in the current projects, with the addition of the involvement of the MSP at the beginning of the process to participate in setting the conditions to be fulfilled to access CIP and to facilitate a smooth implementation of the procedure and a respect by all parties of the CIP, all over the process.

299. **Cluster investment partnerships funded procedures.** Cluster investment partnerships (CIP) will be part of programme activities to encourage targeted producers to invest in market led activities. The implementation process is related to the EDC stages described in appendix 4, as follows:

(i) at stage 1, MSP is informed about the process and contribute to set selection criteria for investors to establish cluster investment partnerships;

(ii) at stage 2, potential investors<sup>92</sup> are trained and accompanied to formulate market-led business plans (including investment plan and tentative financing plans); As far as transformation drivers' category is concerned, the investment proposal should also describe how smallholder farmers would be involved and benefit from their investment. The application will include a sec-

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<sup>92</sup> all investors are trained regardless of the financing plan. Bancable plans with a financial gap but not complying with targeted beneficiaries, will be encouraged to approach banks that will be willing to develop financial services in URDP areas (component 2)

tion whereby the applicant will describe the type of productive alliance in place. Such processes will be facilitated through MSPs involvement. During the review, proposal presenting a stronger commitment to women and youth inclusion will have a higher weight in the scoring/selection processes.

(iii) If they comply with CIP criteria (agreed upon in (i), they can submit their technical and financial applications, as well as proof of the availability of other sources of financing to URDP for review;

(iv) complying proposals are submitted to an ad-hoc district committee to endorse the CIP attribution;

(v) once approved, URDP and investor sign a CIP detailing the two parties' responsibilities (URDP: 70% of the net of tax investment investors: 30% of the investment and VAT;) and calendar of payment; Once signed the investor procures service provider/contractor.

(vi) the investment is then built by contractor under the investor's monitoring.

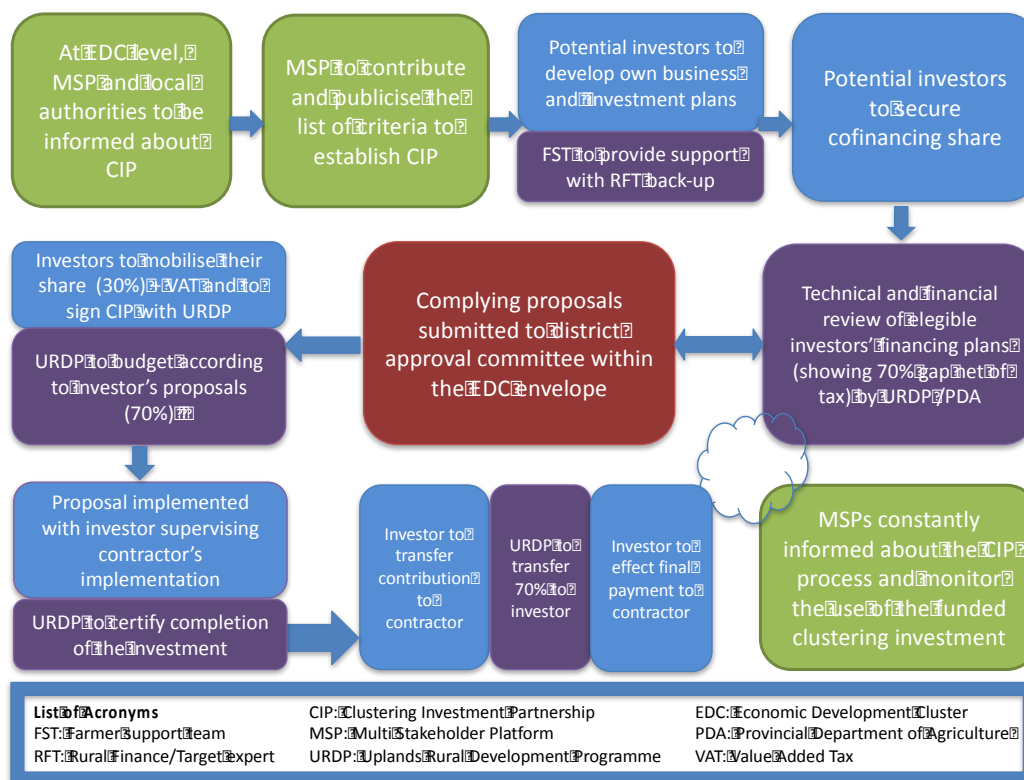
(vii) once completed, received by the investor, URDP (FST/RPCU) certifies the completion

(viii) a first payment to the contractor is effected from the investor's own sources, UDRP's share of the cluster investment partnerships will be then transferred to the investors' account to proceed with final payment.

(ix) During the process, MSP is permanently kept informed. Once the investment is operational, MSP receive regular information about its use.

The following flow chart shows the steps in the grant funding process:

**Figure 18: Indicative cluster investment partnerships implementation process**



300. **Cluster investment partnership mechanism.** These processes will be extensively described in the PIM. Grants will only be provided when a relevant MSP supports the proposal. The following table provides examples of the guidelines for cluster investment partnerships at the level of an EDC.

**Table 28: Guidelines for cluster investment partnerships**

Individual improvement of value chains	per EDC	Conditions	indicative ceiling in TLY	investor contribution
Barns (incl. portable barns), dairy equipment			75,000	30%
Pond		benefit > 3 HHs	40,000	30%
Fruit/nut orchard improvement		Max of 1 ha / HH	15,000	30%
Fruit/nut orchard establishment		Max of 1 ha / HH	60,000	30%
Vegetable irrigation system		250 m <sup>2</sup>	60,000	30%
<b>Total</b>	<b>30</b>			

301. **Grant flow of funds.** The grant payment mechanisms will be based on those used for other projects and adapted to meet IFAD Grant Management guidelines. Funds will flow direct to grantees / investors account once the investment has been certified as completed by URDP.

302. **Managing grant activity risks.** Experience from other rural credit and grants activities in Turkey and other IFAD programmes indicate there are three main types of risks that could impact on implementing the grants activities. These are:

- (a) **Transparency.** This will be addressed by the MSP involvement since the very beginning as outlined in Appendix 4.
- (b) **Elite capture** during the beneficiaries' selection. This will be mitigated through the MSP involvement, relative small grant size (which will make grants less attractive to elites), application of self-targeting mechanisms, and clear definition of target groups and eligibility criteria.
- (c) **Absence of professional grant management** companies to manage the grant activities. There are several reputable Turkish service providers / NGOs with significant experience in partnering with international donor programme, including grant disbursement programmes. The preferred option would be to have an experienced grant manager employed in the URDP, but a contracted external grant manager would be considered, if necessary.

#### **Sub-component 1.5: Regional branding and geographical indication**

*Main implementer:* PDA professional back-up expertise team;

*Outsourced support:* universities, research centres, consultants;

303. The regional units will facilitate the process to register to obtain such geographical indication in coordination with the Turkish Patent and Trademark Office that has a specific department dedicated to agricultural and traditional products.

304. The unit will coordinate the branding activity and assist the identified applicant organisation to provide the necessary documentation to the Turkish Patent and Trademark Office. Required specific studies will be either done internally (at the PDA/DDA levels) or outsourced to competent service provider (university, research centre, consultant) recruited through a restricted list on the basis of approved terms of reference.

522. Once a product has been registered, a tripartite memorandum of understanding will be signed between the applicant organisation, the PDA and URDP to determine the involvement of each party to provide control reports to the Turkish Patent and Trademark Office during the first two years. International study tours will be facilitated by the PMU.

305. The following matrix summarises the main implementers and their associated support on the basis of the area of intervention and the type of local organisational set-up to support.

**Table 29: Main implementers**

Area of intervention	Direct beneficiaries	CPMU	Main implementer	Support Associate	Local Authorities
Catchment production areas	Individual producers Producers groups		FST/RPMU (PDA)	Product associations Financial institutions	
Privately shared economic Infrastructure	Cooperative, company	x	FST/RPMU (PDA)	Commodity co-operative	village
Economic development cluster	Multi-stakeholders platform		FST/RPMU (PDA)	TA, service provider	District (multi villages)
<b>Regional back-up</b>	<b>Regional platform (brand)</b>	<b>x</b>	<b>RPMU (PDA)</b>	TA, service provider	<b>Provincial authorities</b>

## Component 2: Inclusive financial service

### Sub-Component 2.1: The Rural Credit Guarantee Facility

306. The establishment of the RCGF will start with the preparation of the legal documents just one week after project start. Upon completion of the legal documents IFAD will transfer the allocated EUR 5 million to the Treasury. PMU will transmit the selection criteria (geographical, investment type, type of beneficiary, priorities and objectives of the project) to the Treasury that in turn will draft an agreement with KGF on the modalities (subject to non-objection from IFAD).

307. Institutionally the RCGF will operate under the auspices of KGF. URDP earmarked EUR 5 million for the RCGF that will be transferred to MoFAL by the Treasury. MoFAL will sign a protocol with KGF describing the terms of cooperation and funds will be gradually transferred to KGF (in tranches of EUR 1 million). This amount of guarantees is expected to raise up to EUR 50 million in loans from the PFIs, targeting specific geographic areas and specific user profiles. KGF is willing to support RCGF with additional own equity at a ratio of 25(KGF)/75(IFAD) and on top of that, complement with a EUR 2.5 million investment from own sources. A template of the protocol/agreement with KGF can be found annexed in a separate document (KGF AGREEMENT).

308. The guarantee coverage offered to PFIs will be for 80% of the principal of each loan and up to 7% accumulated loss (cap). The rest of the modalities will include: a) KGF will not charge operating cost to the project (operating cost will be absorbed by the banks and the loan applicants), b) guarantee processing time will not exceed two days; c) criteria for the selection of PFIs will include portfolio performance, commitment to beneficiaries, presence in the uplands, reasonable financial products to serve the target groups, experience in rural financing, leverage, and credit review, d) KGF should provide comprehensive statistics to the PMU of URDP on loan performance, once a month, e) trigger for calling guarantee claim will be 90 days after non-payment, with the bank being required to start legal procedures to recover dues in default and distribute them following the *pari pasu* principle (if/when recovered), f) guarantee granted by KGF should be used within 6 months, g) new loan capacity will be created with repayments of existing loans taken with KGF guarantee, h) all relevant authorities will supervise and regulate the effect of the guarantee system to the economy, i) a Steering Committee consisting of MoFAL, KGF, Ministry of Development and URDP PMU (subject to IFAD's non-objection) will review and revise RCGF's operation and strategic direction, twice a year (March and September). This same Steering Committee will decide on the algorithm that will determine the quota for each PFI after proposition of KGF based on its current experience (subject to IFAD's non-objection).

309. KGF will be charging a 0.5% guarantee fees to be paid by PFIs for RCGFs mixed capital structure (25% KGF / 75% IFAD and additional EUR 2.5m from KGF itself) only once. The participation of KGF with own equity will ensure its stronger commitment to the success of RCGF's objectives, a closer monitoring of RCGF's performance, as well as experienced feedback for improving and stream-

lining its operation. Furthermore the Treasury will be investing the idle part of the EUR 50 million total will be yielding returns on investment into secure financial instruments (e.g. government bonds). Accumulated income would be set aside to eventually recapitalise the RCGF.

310. Eligible borrowers will be those investing in agriculture, agribusiness, or off-farm activities in the uplands (proven activity in a project region higher than 600m). Initially eligible borrowers will be project beneficiary clusters but after the third year of the project, RCGF's reach will be expanded to non-beneficiaries as well. Transformation drivers (input suppliers, processors etc.) who operate in areas lower than 600m, but service directly upland producers, will be also eligible, only and only if their activity does not compete with existing upland transformation driver. Size of businesses will not be initially limited, but as the project progresses consultative reviews (during supervision and support missions) will provide insights to be transmitted to RCGF's Steering Committee for approval.

311. Eligible loan sizes will be TRY 10,000 to TRY 30,000 for individual applicants, or this size range multiplied by the number of applicants for group loans. Larger loans (up to TRY 200,000) will be made available to transformation drivers.

312. RCGF will initially focus on financing investments led by clusters, developed under URDP as well as providing individual loans to finance own participation for accessing cluster investment partnerships. RCGF will offer a) transactional loans to allow cooperatives and traders to purchase the increased output of the clusters, b) working capital type of loans to permit farmers to increase production and c) investment type of loans to promote clusters deeper into the value chains. The PFIs will be given freedom to develop specific products to cater the needs of the target group. As demand expands, RCGF will extend its reach to non-beneficiaries.

313. KGF will be monitoring RCGFs performance and will be reporting to URDP PMU and MoFAL. After each EUR 1 million tranche has been put into circulation guaranteeing loans of PFIs, KGF will be able to request a consecutive EUR 1 million tranche from MoFAL until all EUR 5 million has been used. In the adverse case there is not enough demand, the funds will be diverted to other activities.

#### *Sub-Component 2.2: Rural Finance Support Network*

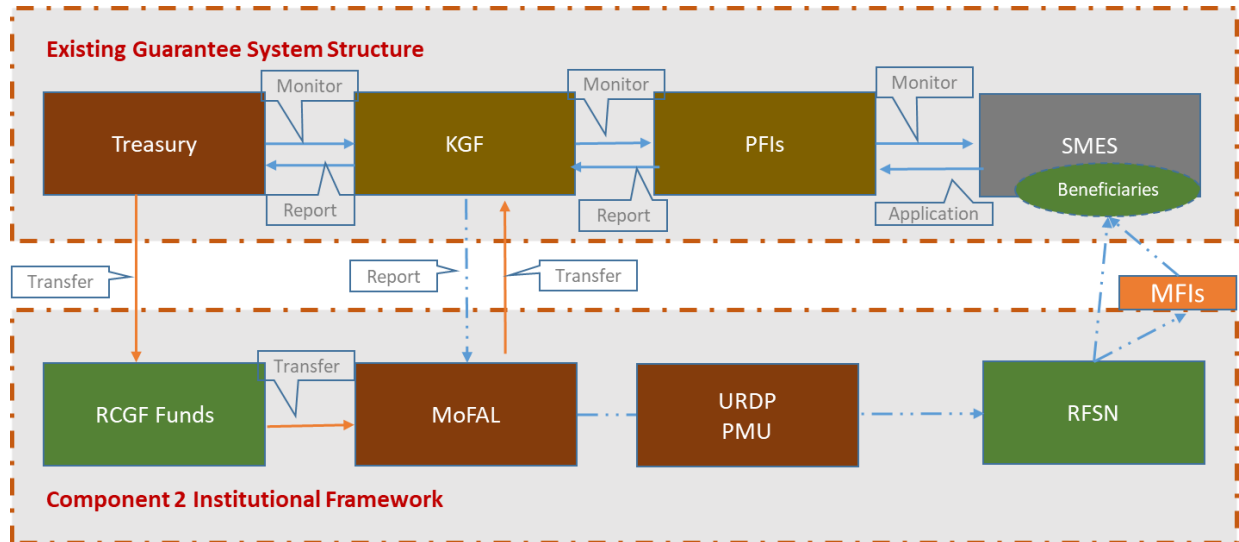
314. Upon establishment of the PMU the recruitment process of the RFTs and the monitoring expert will begin. The RFTs will be seated at the regional PCUs, while the monitoring expert will be seated at the central PMU. During inception phase the RFTs will start liaising with potential PFIs to communicate the project's objectives and the modalities of the RCGF. They will prepare communication material and distribute them among banks, ACC and MFIs.

315. Once the cluster development is in advanced stage and the Farmer Support Teams are in place and the FMs have started working with farmer groups, the RFTs in collaboration with the FMs will liaise with the various segments of the target group with the aim to understand and cluster common financing needs. They will communicate the project's objectives to the farmers through radio broadcasts and on-site visits and will open a communication link (e.g. telephone line, customer service) to respond to questions and queries of the target group. This process is expected to last for one year.

316. RFT's will regularly liaise with PFIs for the development of new financial products and services.

317. The monitoring expert will consistently give feedback to RFTs and FMs on the progress of the RCGF.

Figure 19: Component 2 Institutional Aspects and Implementation Arrangements



## **Annex 1: Terms of reference for URDP staff**

### **Monitoring and Evaluation Specialist**

The monitoring and evaluation (M&E) specialist has overall responsibility for guiding and leading the overall M&E, targeting, and gender strategy. The M&E specialist will lead the enhancement and operations of the existing CPMU's M&E system, building up and maintaining the database necessary for the CPMU to do its work efficiently and effectively and providing timely and relevant information to programme stakeholders. S/he will also work closely with the two M&E assistants in the RPMU office in the field as well as working closely with other CPMU and RPMUs management and technical staff.

The M&E specialist reports to the programme coordinator and supervises the work of the RPMU M&E assistants as leader of a *M&E, learning and impact team*.

The position is based in Ankara with frequent technical support and supervision visits to the RPMU offices and programme implementation sites.

Specific responsibilities include but are not limited to the following:

- Review the existing M&E system and build up an enhanced system of monitoring and reporting with adequate indicators to allow the programme staff to effectively monitor the progress, performance and impact of programme components.
- Develop/strengthen the overall framework for programme M&E - annual programme reviews, participatory impact assessments, process monitoring, operations monitoring, annual data collection and lessons-learned workshops.
- Ensure that programme M&E is carried out in accordance with the programme's guidelines and procedures.
- Help revise the programme Log frame matrix, particularly indicators and monitoring mechanisms.
- Oversee the development of, and manage the M&E system (database and e-library repository).
- With the RPMU M&E assistants, develop an M&E service pack (reporting formats for data and narrative) for the regional and province staff supervising and managing implementation. Based on that assess and develop trainings in data collection tools as needed, to ensure that appropriate measures are established and implemented to provide sufficient basis for review of programme progress and for monitoring changes seen on ground.
- Support the field coordinators' targeting and gender activities in programme implementation, including providing technical assistance to on gender issues and programme targets with respect to inclusion of women and youth and ensure adequate awareness and activities in this respect, including during reporting.
- Support the RPMU and provinces prepare rayon level AWPBs and then consolidate these inputs to the programme AWPB, including arranging regional level and programme stakeholder review workshops. This work will be supported at national level by the finance manager.
- Review the quality of existing social and economic data in the programme area, the methods of collecting it and the degree to which it will provide good baseline statistics for impact evaluation.
- Set up a participatory system of data collection from all programme partnership to feed into the URDP programme M&E system.
- Liaise with the RPMU M&E assistants in the field and other RPMU technical staff and set up a system of periodic monitoring reports to be submitted to CPMU.
- Based on the AWPB and in particular the programme budgets, design the framework for the physical and process monitoring of programme activities.
- Monitor, record and report physical progress of the indicators against AWPBs.



- Guide staff and implementing partners in preparing their progress reports. Together, analyse these reports in terms of problems and actions needed.
- Prepare consolidated progress reports for programme management to submit to the Government, IFAD and other relevant bodies, in accordance with approved reporting formats and timing.
- Organize programme annual review and planning workshops involving programme stakeholders to gather programme results as well as lessons learnt and successful cases. These should be reflected in programme reports and widely disseminated.
- Define the need for specific M&E and impact studies, design them and supervise their execution.
- Undertake regular visits to the field to support implementation of M&E and to identify where adaptations might be needed.
- Document and collect information on lessons learned, including case studies and special research.
- Follow up on the missing data from the URDP baseline survey.
- Organize the URDP impact study upon programme completion and follow up on its execution.
- Organize (and provide) refresher training in M&E for programme and implementing partner staff, local organizations and primary stakeholders.
- Assist, as required, the IFAD supervision and other monitoring, review and evaluation missions of URDP.
- Undertake any other assignments relevant to URDP M&E system as assigned by the project coordinator.

**Qualifications and experience.** The candidate should have a Bachelor degree in management, economics or a similar subject, and specific training in M&E, data management and gender and targeting tools. Other qualifications include:

- At least eight years of work experience, including at least four working with knowledge management, planning, M&E and/or MIS in government/donor programmes or large institutions, with knowledge of logical framework programmes and participatory systems.
- Ability to set up and follow through on a monitoring system in a complex environment, and capacity to design and carry out relevant field level verification with data validation tools.
- Knowledge of participatory programme implementation methodologies
- Strong managerial skills and demonstrated capacity to manage people and interact with a wide range of private sector partners, public sector representatives, and development partners.
- Self-motivated, with demonstrated ability to take initiatives and work under a minimum of supervision, but also to work effectively as a member of a team.
- Experience with performance based contract monitoring and output based work planning, budgeting and reporting.
- A clear understanding of aspects of technical writing to different categories of audiences
- Experience working with the media and different stakeholders, as well as events management.
- Knowledge of work planning, budgeting and reporting.
- Fluent written and spoken English and Turkish languages.
- Excellent quantitative and analytical skills.

- Excellent IT skills in particular Excel and knowledge of other M&E applications/statistical software packages (MS Access, SPSS or STATA) would be an asset.
- Proven communication and organization skills.
- Knowledge of gender issues, targeting of interventions.
- Expected to have a creative and pragmatic approach to problem-solving and the ability to think in terms of socio-economic and administrative systems.
- Excellent analytical, report writing, and presentation skills.

**Contract:** Two-year contract, with six months' probation period, renewable based on agreed performance targets and deliverables

### **M&E Assistant**

S/he will be responsible for ensuring that primary stakeholders are involved to the fullest extent possible in undertaking M&E and are part of the knowledge management processes. The position is part of the two RPMUs based in Adana and Kastamonu.

Specific duties include but are not limited to the following:

- (a) M&E assistant;
- Ensure that programme M&E is carried out in accordance with the programme's guidelines and procedures.
  - Document and collect information on lessons learned, including case studies and special research.
  - Province /regional training and facilitation of M&E activities
  - Participate in preparation of province level AWPBs and consolidation into the regional AWPB.
  - Provide guidance and inputs to organizing and managing programme information and experience sharing events so that the events are viewed as learning experiences, not gatherings for the sake of it.
  - With the M&E specialist in Ankara, design and, after they are constructed supervise implementation of: (i) a database of all SP/IP facilitators and training providers to monitor their activities and outputs; and (ii) a database of all participating villages (clusters) and the activities of the common interest groups and grants provided to each village.
  - Help organize stakeholder workshops for feedback to and input from all stakeholders.
  - Systematically compile lessons learned from programme implementation into formats suitable for dissemination, as well as take lead in branding and production of programme communications materials.
  - Assess field reports to identify possible implications for implementation and agree on corrective action to be taken with the decision makers.
  - Actively seek to understand problems and unexpected positive/negative impacts, discussing these with primary stakeholders and senior management.
  - Regularly report to the CPMU M&E specialist on programme operations including activities, processes, and outputs on monthly basis.

**Qualifications and experience:** University Degree in business administration, statistics, economics, management and/ or closely related field university degree in economics, agriculture, social sciences or closely related discipline.

- Minimum 5 years working experience in M&E preferably with rural development programmes and/ or funded by international organizations.

- Minimum 5 years working experience in contract management for SP/IPs preferably with rural development programmes and/ or funded by international organizations.
- Knowledge of participatory programme implementation methodologies.
- Ability to organize and train staff.
- Good contextual knowledge of local issues, community priorities, organizational relationships, social and cultural constraints and realities, and environmental conditions.
- Strong oral and written communication skills in English and Turkish.
- Strong social skills and open-minded
- Ability to work independently and with limited supervision

**Contract:** Two-year contract, with six months' probation period, renewable based on agreed performance targets and deliverables

## 1. Agronomist

Specific responsibilities include but are not limited to the following:

- Leading field implementation activities and coordinating RCPU interventions;
- Representing the RCPU at all programme meetings, and other programme related activities in the concerned province and district. When direct PMU representation is not available, act as the PMU representative and report back to the programme director on decisions made during these meetings.
- Facilitate, with the FST support of the concerned province, and in collaboration with concerned District authorities, the formation of a Cluster investment partnerships district committee (CIPDC) in charge of the assessing access to cluster investment partnerships for EDCs applicants;
- Ensure through appropriate informative/training sessions, that the programme approach is understood and bought-in by all stakeholders;
- Back-up FST with technical information through updated training sessions and permanent follow-up of implemented activities;
- Prepare the agendas for all GDC sessions and ensure that minutes meeting are circulated to all members, as well as PMU and concerned MSPs.
- Establish lines of communications and coordinate with all major stakeholders for URDP implementation the targeted uplands areas of the province, district and village, farmers associations and cooperatives, financial institutions), PDA for technical agriculture (including farmer field schools), climate change and business developments services and other national and international development agencies delivering similar technical services in the programme area.
- Support development of and assist in finalising the regional AWPB on the basis of EDCs expected outputs and with the FST support. Ensure that all plans are properly planned, implemented and monitored according to specified deadlines and within the allocated budget.
- Prepare memoranda of understanding for partnerships with other agencies designated to implement or benefit from specific activities under the programme.
- Develop RCPU management guidelines, procedures and operating practices for programme execution and proactively manage changes in programme scope, identify potential constraints and devise contingency plans.
- Lead implementation of the young farmer development activities.
- Finalize training guidelines based on the provisions contained in the PIM.
- Identify opportunities for community, SME or MSMPs to apply or become agents for innovative applications of technical, information and communications technologies to improve adoption and/or uptake in rural areas. Identify potential partners or agencies interested in piloting or scaling up such innovations.
- With the PMU procurement officer and finance manager, establish procedures for screening and selecting applications for cluster investment partnerships and cost-sharing. Manage and supervise the applications and assessment processes, and final grant payments.
- Ensure that all measures to improve transparency in the programme grants activity are applied and updated regularly. These are outlined in the IFAD Matching Grants Technical Guide (2012).
- Support the M&E specialist to implement an appropriate monitoring, evaluation and knowledge management system for the programme and ensure the submission of all progress reports on time.
- Identify how best to use the technical assistance included in the AWPB and develop the terms of reference and most appropriate timelines for use of this assistance. Identify potential providers of the TA and assist the contracts manager procure the required TA services.

- Support supervision and implementation support missions, mid-term review, and programme completion report, including analysing programme activities and making recommendations for improvement and ensuring that agreed recommendations are implemented.
- Any other relevant task assigned by the programme director.

**Qualifications and experience:** The agronomist specialist should hold at least a Master's degree in agronomy, agricultural economics, environment or natural resources, or business management, with experience in rural development and/or SME development, commercial agribusiness activities and major international development programmes or institution. Other qualifications include:

- A minimum of six years of work experience, including three years in financial institutions and/or government/donor programmes and a track record as a successful manager and administrator.
- Demonstrated capacity to take on a leadership position with strong managerial skills and capacity to manage people and interact with a wide range of private sector partners and public sector representatives, as well as managers and implementers of large-scale rural / community / SME development programmes.
- A clear understanding of aspects of technical writing to different categories of audiences
- Experience of working with different stakeholders.
- Ability to bring together various stakeholders for purposes of policy dialogue.
- Strong organizational skills and knowledge of strategic planning.
- Strong oral and written communication skills in English and Turkish.
- A good understanding of climate change, capacity building, gender issues and rural youth support.

*Requirements:* at least MSc in agribusiness / agriculture / rural economy with knowledge in agricultural extension, sociology, adult education

*Experience:* at least 5-7 years effective experience in domains linked to family farming agribusiness with direct support to business oriented farmers groups (cooperatives, producers groups, post-harvest handling activities). Experience with projects, farmer's organisations, agribusiness actors in the targeted district is an asset;

## **2) Agribusiness Officer**

*Duration:* PDA seconds staff through a performing one-year assignment that can be renewed for the duration of the programme .

*Work station:* Kastamonu /Adama PDA Headquarters

*Description of the post:* the Agro-business officer (ABO) will (i) support Farmer support team staff (particularly deployed in EDC sites) in charge of facilitating and accompanying multistakeholders platforms (MSP) that will emerge in each EDC (list to be determined) for MSPs to play a proactive role in the governance and use of economic infrastructures; (ii) participate to the collection/dissemination of data / results related to these markets; (iii) directly monitor FST officers to support market oriented farmers groups and individuals to access cluster investment partnerships to finance business plans; (iv) to facilitate interactions with the business community for them to engage with the Uplands EDCs

Under the overall PDA supervision and under the direct responsibility of the Regional coordinator, ABO will perform the following tasks:

- to participate to the planning and implementation of FST's activities related to URDP and to provide technical and methodological support to FST;
- to design and develop with relevant market stakeholders manual of procedures for all market service providers;
- to ensure that market site activities are gender and youth inclusive;
- to train economic infrastructure management bodies to deliver expected quality services (weighing/measuring, security, maintenance) in an economically viable way to ensure sustainability;
- to design and develop training modules adapted to rural investors (including farmers organisations);
- to supervise and monitor the implementation by the FST;
- to lead and participate in the production of information notes related to market stakeholders activities (value chain information on prices and volumes, organizational support to market oriented groups);
- to design a building capacities road map for market oriented farmers groups and individuals including action plan, business plan, financing plan (related to URDP cluster investment partnerships opportunities), business monitoring;
- to support other business development services providers (including FOs) to provide quality services to rural micro-enterprises and farmers groups (sound business plans, marketing strategy, suppliers and outlets linkages) in EDCs for them to access financial services including URDP cluster investment partnerships;
- to identify needs and eventual external support to improve quality;
- to design and facilitate training modules based on market stakeholders needs
- to collect and consolidate FST reports from each EDC and to write quarterly progress reports to the regional Programme Coordinator, PDA;
- to facilitate technical/professional support mission mobilized within URDP framework to improve implementation;
- to facilitate review, assessment and evaluation missions organized by URDP and GoT;
- to implement any other agribusiness related activity that may be required by the regional Coordinator, PDA.

*Requirements:* at least MSc in agribusiness / agriculture / rural economy with knowledge in agricultural extension, sociology, adult education

*Experience:* at least 5-7 years effective experience in domains linked to family farming agri-business with direct support to business oriented farmers groups (cooperatives, producers groups, post-harvest handling activities). Experience with projects, farmer's organisations, agribusiness actors in the targeted district is an asset;

### 3) Gender, youth and social inclusion specialist

Under the general supervision and policy guidance of the Project Coordinator, the project level Gender and Youth Specialist at regional level shall perform the following functions:

- To work in close collaboration with teams, tasks force established at all levels to organize/ implemented and monitor community mobilisation/sensitisation activities, including application of selection criteria for the beneficiaries based on the agreed criteria in the PIM.
- Support overall formation and strengthening of smallholder groups and oversee the work of the gender and youth specialist in the FST.
- Preparation of a gender action plan and a youth action plan, including working in close collaboration with MSP committees to ensure community mobilisation/sensitisation activities are organized in order to capture women and youth groups; ensuring affirmative actions are undertaken for their participation (i.e. quotas); The specialist will also be responsible for inclusion and application of specific tools from the household methodology into capacity building activities of groups.
- The expert will work in close collaboration with the **Entrepreneurial Opportunities development / Value Chain Specialist**: The main task will be to identify on the basis of analysis (participatory methodologies) the opportunities that the project will offer along the value chain for non-farm actors, especially women, youth and other disadvantaged categories.
- A menu of options will be identified and it will guide activities related to common interest groups of women and youth. The expert will support formation of groups and coaching along the life cycle of the project working in close collaboration with the other experts as well as with local counterparts.
- Ensure that there are adequate communication materials on Gender and Youth issues; review existing training materials and evaluate whether additional information shall be included for specific sectors/issues. Ensure that the materials the project develops are gender sensitive.
- Based on the area for training identified, for women and youth and subsequent collaboration with service providers to provide ad hoc training, draft ToRs for service providers in collaboration with CPMU. The trainings will also target farmers organisations.
- Work in close collaboration with service providers for HHs methodology and ensure adaptation of key tools in existing materials and teams at district level are trained in the methodology.

*Requirements:* at least Bachelor in gender and/or related social studies. Women will be preferential candidates for this position.

*Experience:* at least 2-5 years effective experience in domains linked to gender mainstreaming as well as social inclusion in development projects with direct support to women's groups, preferably in agriculture value chain. Experience with projects, farmer's organisations, women groups in the targeted district is an asset.

## **Farmer support team:**

### **i) Agribusiness and market officer**

**Duration:** PDA seconds staff through a performing one-year assignment that can be renewed for the duration of the programme.

**Work station:** (i) for the Eastern Mediterranean region: Adama, Osmaniye and Mersin provinces and (ii) for the Western Black Sea region: Bartin, Kastamonu and Sinop provinces

**Description of the post:** Agribusiness and Market officers (AMO) will (i) support the emergence and set-up of the Market Stakeholders Platform in each EDC identified by URDP for MSPs to play a proactive role in the governance and use of these markets; (ii) ensure that the local concertation process involving all market stakeholders (producers, traders, transporters, dockers, local authorities...) is effective in the concerned market site; (iii) support the market stakeholders to be well organized within MSP as organized market oriented professional groups able to effectively use market premises and contribute to market governance and the concentration of transactions; (iv) ensure that all performed activities are gender & youth inclusive.

**Roles and duties:** under the overall Provincial DA coordinator supervision and direct responsibility of the Agri-Business Officer, AMO will perform the following tasks:

- to diagnose the different existing market stakeholders (groups and individuals);
- to enhance Multi stakeholders platform involving all different identified groups;
- to prepare and convene regular MSP meetings related to thematic issues pertaining to the overall EDC development process;
- to participate in the identification of market stakeholders felt needs to strengthen their capacities ;
- to facilitate peer exchanges and host peer visits;
- to strengthen each categories of market local stakeholders (particularly producers) to be able to stand for their interests in the market governance structure and beyond to become proactive leaders;
- to support market oriented farmers groups to identify action plans and develop business plans to access the programme cluster investment partnerships set-up;
- to ensure that market site activities are gender and youth inclusive;
- to participate to all economic infrastructure site meetings and liaise with local authorities;
- to produce monthly reports;
- to work in team with other FST/PDA colleagues
- to implement any activity requested by PDA (Agro-business Officer)

**Requirements:** at least MSc in agribusiness / agriculture / rural economy with knowledge in agricultural extension, adult education AND

**Experience:** at least 3-5 years effective experience in domains linked to family farming agri-business with direct support to business oriented farmers groups (cooperatives, producers groups, post-harvest handling activities);

## **2) Social mobilisation Officer**

**Duration:** PDA seconds staff through a performing one-year assignment that can be renewed for the duration of the programme.

**Work station:** (i) for the Eastern Mediterranean region: Adana, Osmaniye and Mersin provinces and (ii) for the Western Black Sea region: Bartin, Kastamonu and Sinop provinces.

### **Gender expertise required**



- Interact with women and youth and support formation of groups directly. Facilitate creation of linkages between those groups and the MSP.
- Conduct and organize gender and youth workshop at district level for all the Project staff as well as for institutions at local level to create awareness (including FOs) on the importance to have women and youth as part of the economic development cluster and its committees.
- Ensure that the project implementation teams (at all levels) are sensitized to gender and diversity issues that they should expect and explore in their interaction with the community through regular trainings and sensitization programmes.
- Support women' s and youth leadership training
- Reviewing (regularly) participation of women and youth in community development activities and decision making processes and making recommendation to improve processes.
- Guiding development of women's groups, ensuring adequate representation of women in all Project activities, monitoring impact of project activities on status of women, monitoring gender orientation of participating agencies and service providers.

## **Rural Finance Targeting Specialist (2)**

*Duration:* Recruited from program budget for all through the project life. The RFTs performance will be assessed on an annual basis and can be renewed for the duration of the programme.

*Work station:* Kostamonu /Adana RPMUs

- To have a clear grasp of URDP's objectives and strategy and a clear focus towards their achievement.
- To promote financial inclusion in the rural areas.
- To coordinate all the activities of Component II.
- To liaise with Banks, ACC and MFIs to communicate URDP's objectives and see how potential PFIs will be prepared to participate in KGF's selection process.
- To coordinate with FMs and liaise with the various segments of the target group with the aim to understand and cluster common financing needs.
- To develop and disseminate relevant promotion material and organize learning events through which PFIs will interact with the project so that all sides agree on the mutual expectations.
- To communicate URDP's objectives to the farmers through radio broadcasts and on-site visits and open a communication link (e.g. telephone line, customer service) to respond to questions and queries of the target group.
- To register and catalogue PFI's, ACC's and MFI's offerings and transmit it to FMs so they can channel appropriate demand to relevant supply of financial services.
- To direct and guide FMs on how to create awareness amongst beneficiaries on the available opportunities for responsible borrowing.
- To direct and guide FMs on how to spread financial literacy among the beneficiary groups.
- To participate in cluster meetings and understand the dynamics, opportunities and setbacks beneficiaries are facing and propose solutions relevant to rural finance.
- To regularly liaise with PFIs and monitor their progress towards contributing to the achievement of project's intended objectives.
- To work together with the FMs and the monitoring expert to deduce useful information from the collected data and prepare presentations to promote the project's objectives to all stakeholders.
- To showcase success stories and good practices to relevant stakeholders.
- To prepare project reports.
- To support FMs in their efforts to promote clusters in presenting the business plans to PFIs and monitor their repayment schedules.
- To liaise with MFIs with the aim to engage poorer households in savings and credit schemes.

### *Profile*

The successful candidate should be a young dynamic rural finance expert with good experience in policy and advocacy work with strong written and verbal communication skills in English and Turkish. The candidate should have reasonable experience in the area of microfinance and an understanding of MFI operations. Experience of working with multiple stakeholders in civil society and the government at different levels is a plus.

### *Selection Criteria*

The candidate should have good communication and presentation skills, have preferably a Masters' degree in a relevant field, with at least 5 years of demonstrated experience in development, including microfinance, in the region and a track record of achievement in developing and implementing market-driven approaches and systems to address issues in this sector. The candidate should be proficient in written and spoken in English and Turkish and have proven management skills and ability.

*Salary*

Salary level will be established according to candidate's experience and as per industry standards.

*Working hours:*

The position is a full time position with annual leave rights.

*Hiring process*

Applicants should submit an application letter, with an expression of interest, up-to date CV, references related to recent experience, details of salary history and salary expectations, and certified copies of relevant certificates in a closed envelop marking the post applied for and the code to URDP PMU within 20 days after the first publication of the relevant notice. The hiring process should start as soon as the project starts and should be concluded within 60 days at the latest.

Rural Financial Specialist to be hired for URDP  
In the Central Project Management Unit (CPMU)

Location: CPMU, Ankara  
Reporting to: Project Manager / Coordinator  
Terms for employment: 2 years (if needed it can be extended)

The Central Project Management Unit (CPMU) in Ankara is requesting the services of a Rural Finance Specialist to participate in the implementation and management of IFAD funded URDP to establish a sustainable relationship between KGF, PFIs & farmers/farmer organizations in the program area. The overall duties of the Rural Finance Specialist will be to assist the CPMU's Project Director in all aspects of the activities of the rural finance activities of the CPMU. Among the other responsibilities, RFS will also be responsible for providing assistance for establishing Rural Credit Guarantee Facility (RCGF) that is an instrument intended to address the market gap in rural financing. One of the main responsibility of the RFS is to reduce collateral requirements for new investment loans. The RFS will support and coordinate the activities of rural finance support facility that will improve the bankability of new investment loan proposals and will strengthen the ability of the poorest segments to graduate as business people who can undertake profitable rural initiatives.

The suitable candidate will have the following background and experience:

Educational Background:

- A higher degree in Economics/Agricultural Economics, preferably with major in financing, accounting, banking.

Job Requirements & Experience:

- Working experience with national or international financial institutions, or international experience in fundraising, attracting foreign investment funds, international cooperation for development of financing rural programs;
- Comprehensive experience with equity investments it is an advantage;
- Experience with loan guarantee instruments, individual guarantees and loan portfolio guarantees;
- Fluent written and spoken English and Turkish
- Strong communication skills;
- Computer literacy and proficiency in Microsoft Office Programmes;
- Creative and pragmatic approach to problem solving;
- Ability to work efficiently under pressure and to meet deadlines; and
- Well-organized and well oriented to details.

Specific Duties and Responsibilities include, but are not limited to the following:

- Support to preparation, finalization and implementation of a protocol between MFAL and KGF.
- Accountable for identifying the eligibility criteria for targeting groups in uplands considering the URDP Design Report references.
- Establish the rules and procedures of the portfolio guarantee system. RFS is also assist the identification of eligibility criteria of the applicants.
- RFS is responsible for monitoring, evaluating and reporting the risks that are appreciated in each trenches.
- Prepare necessary performance reports and presentations related with RCGF to the Steering Committee consisting of MoFAL, KGF, Ministry of Development and URDP PMU will be formed with the mandate to supervise and strategically direct RCGF's performance.
- Work in coordination with KGF to propose a formula to determine the quota that each PFI will be assigned.
- Involve in the PFI selection process as a representative of MFAL and support to the acceleration of the signature of bilateral agreement between PFIs and KGF.

- Develop and improve the linkage between the banks, the cooperatives and the MFIs and enhance their seamless cooperation and multilateral capacity building.
- Responsible for introducing and promoting of RGCF not only in the program area but also in the related public and private organizations as an agricultural policy tool.
- Responsible for coordination, monitoring and supervision of the RFTs in the program regions.
- Create awareness amongst beneficiaries on the available opportunities for responsible borrowing, its potential for business development and the means through which it can be accessible according to each farmer's financial status.
- Assess applications of the participating financial institutions to the RGCF
- Managing portfolio reporting activities with PFIs;
- Following up on delinquent client borrowers in coordination with PFIs.
- Encourage the participation of the banks to the multi-stakeholder platforms.
- Coordinating information meetings and training activities for PFIs and cluster members.
- Throughout the project's lifetime RFS will create strong ties between the rural communities and the PFIs and MFIs. One of the duty is to leave a sustainable system operating even after the end of the project.
- Maintenance of monitoring system for each sub-component of financial services project components.
- Carry out field monitoring trips as required and needed.
- Prepare proposals for ways of solving project implementation constraints.
- Participate in the preparation of periodic reports in accordance with project policies and procedures.
- Follow up on delinquent client borrowers/project beneficiaries in co-ordination with participating financial institutions and other project partners.
- Define needs and carry out economic and financial analyses and evaluation relating to funded activities.
- Contribute to the development of annual work plans and budgets.
- Contribute to the development of quarterly and annual progress and monitoring reports; • Supervise and verify the quality of rural finance-related services delivered by companies and consultants contracted by the CPMU;
- Contribute to the development of information briefs for IFAD,
- Participate in the field monitoring trips for IFAD supervision and program development missions;

Report to and carry out other tasks as assigned and requested by the Program Manager.support a higher robustness

### **Terms of Reference: Finance Manager**

**Introduction:** The principal role of the Finance Manager will be to ensure that all programme accounts are correctly maintained and operated in accordance with the rules and regulations of the Government of Turkey and are in line with the procedures of IFAD. He/she will report directly to the Project Director.

**Duty Station:** Based in Ankara, with regular visits to the project sites as required for monitoring, reporting and coordination.

#### **Qualifications and Experience:**

1. A recognised accounting and finance qualification (CPA, CA, MBA finance);
2. At least five years relevant experience in a relevant donor funded project.
3. The candidate would be expected to have a thorough understanding of budgeting, accounting, reporting, flow of funds and auditing.
4. Familiarity and experience in use of project accounting software would be required.

#### **Duties and Responsibilities:**

- Prepare and monitor the Project Budget and AWPB as per IFAD requirements;
- Prepare and monitor Cash Flow Projections;
- Ensure that all expenditures are in conformity with provisions of the project's work plans and budgets;
- Verify and recommend for approval all financial transactions.
- Maintain computerized accounting system for project expenditure;
- Reviewing and signing monthly bank reconciliation statements;
- Maintain accurate and up-to-date records and documents in respect of all resources received by the project and any expenditure incurred with the funds made available;
- Implement robust internal financial control systems and policies to minimize the risks of fraud or errors;
- Prepare Withdrawal Applications including Statements of Expenditure on a timely basis as per IFAD requirements;
- Prepare monthly, quarterly and annual financial reports;
- Prepare quarterly and annual financial statements as per IFAD requirements;
- Assist the CPMU in the procurement processes in compliance with IFAD Procurement guidelines;
- Coordinate with Internal Audit Department of MFAL;
- Coordinate with Treasury Controllers for annual external audit and obtain audit report for submission to IFAD as soon as possible but not later than 6 months after the completion of each fiscal year.
- Coordinate with IFAD HO regarding all fiduciary requirement in the Financing Agreements;
- Coordinate with IFAD Supervision Missions regarding all fiduciary requirements;
- Undertake any other duties within her/his area of competence as assigned by the Programme Director.

## **Terms of reference: Procurement Specialist**

**Working duration: Full time (5 yrs)**

**Programme: Uplands Rural Development Programme (URDP)**

**Duty station: Ankara, Turkey**

**Section/Unit: The General Directorate of Agrarian Reform (GDAR) at the Turkish Ministry of Food Agriculture and Livestock (MFAL)**

**Contract/Level: National Consultant**

**Supervisor: Programme Coordinator**

### **1. General Background**

The Government of Turkey will implement the Uplands Rural Development Programme (URDP). The Programme is implemented by Directorate of Agrarian Reform (GDAR) at the Turkish Ministry of Food Agriculture and Livestock (MFAL). URDP will be implemented over a 8-year period. During the first phase, the Programme will be implemented in two regions in a total of six provinces: The Eastern Mediterranean (Adana, Mersin, Osmaniye) and Western Black Sea (Bartın, Kastamonu, Sinop) covering 35 districts and targeting 30,000 households. In the second phase, the Programme will assess the feasibility of including two additional provinces: Kahramanmaraş (Eastern Mediterranean) and Çankiri (Western Black Sea) reaching an additional 30,000 households. The Programme Development Objective is to assist in transforming upland areas to become attractive for young farmers and agribusinesses

### **2. Responsibilities**

Support the Central Programme Management Unit (CPMU) to carry out the Programme activities during the implementation of the Programme in accordance with Government regulations, IFAD Procurement Guidelines and with the provisions of the Loan / Grant Agreement.

### **3. Specific Activities**

The procurement specialist is expected to:

assist the CPMU for the whole procurement process for goods, works and consulting services according to the Programme Procurement Plan and the IFAD's Procurement Guidelines and with the provisions of the Loan / Grant Agreement; this will include the following tasks:

- assist in preparing the technical specifications of goods and works bidding documents;
- assist in advertising the Invitation for Bids/Quotations;
- carry out market analysis to identify the sources of supply; evaluate the eligibility and qualifications in order to prepare the list of suppliers/contractors for contracts procured using shopping; and
- prepare bidding documents/request for quotations, bids/quotations evaluation reports, contract conditions including issues of performance guarantee, advance payment guarantee, contract execution schedule, payments, contract extension, quality control, disputes, and so on in accordance with the Procurement rules governing the Programme;
- manage the process of the selection and employment of consultants in compliance with the Programme Procurement Plan and the IFAD's Procurement Guidelines and with the provisions of the Loan / Grant Agreement; including the following tasks:
  - prepare/comment Terms of Reference (TORs), request for expression of interest; short-list of consultants, Request for Proposals (RFPs), draft contracts, etc.
  - prepare evaluation reports and contract negotiation minutes; and

- monitor and supervise the contract implementation.
  - update the Programme Procurement Plan regularly and submit it to the IFAD for review and approval;
  - work closely with the Programme Coordinator to ensure that all procurement activities are carried out according to the Programme Procurement Plan and in line with IFAD procurement rules and with the provisions of the Loan / Grant Agreement;
  - monitor and support partners in programme procurement activities;
  - participate in procurement training courses if necessary;
  - maintain a complete record of the Programme procurement process. This would include copies of all public advertisements, pre-qualification documents (if used, the pre-qualification evaluation report documenting any decisions not to pre-qualify certain potential bidders), the bidding documents and any addenda, a record of any pre-bid meetings, the bid opening minutes, the final bid evaluation report (including a detailed record of the reasons used to accept or reject each bid), appeals against procedures or award recommendations, a signed copy of the final contract and any performance and advance payment securities issued, etc.
  - maintain adequate contract administration records. These would include contractual notices issued by the supplier, contractor, purchaser or employer; a detailed record of all changes or variation orders issued affecting the scope, qualities, timing or price of the contract; records of invoices and payments, progress reports, certificates of inspection, acceptance and completion; records of claim and dispute and their outcomes; etc.
  - list all contracts, with or without prior IFAD approval, in the Register of Contracts with the dates of approval as provided by IFAD. As this report facilitates the review and approval of payment requests on contracts, it is to be updated and submitted to the IFAD Country Programme Manager (CPM) on a quarterly basis.
  - prepare annual statistics for the overall procurement transactions carried out for the programme;
  - establish and implement, in coordination Public Procurement Authority (PPA), a training programme for the CPMU and GDAR staff involved in procurement; and
  - Assist with other programme management responsibilities as identified and requested by the Programme Coordinator.
4. Expected outputs
- The Programme Procurement Plan periodically updated and submitted to IFAD for approval;
  - Procurement activities carried out according to the Programme Procurement Plan, IFAD procurement requirements and with the provisions of the Loan / Grant Agreement;
  - Procurement monitoring reports maintained and periodically submitted to IFAD;
  - A complete record of the Programme procurement process and contract administration is maintained; and
  - A training programme is designed and implemented.
5. Qualifications/specialized knowledge/experience required
- University degree in one of the following areas: engineering; economics; public administration; law or any relevant field;
  - At least 5 year working experience in public procurement, in projects financed by IFAD, the World Bank (WB) or any other Multilateral Development Bank (MDB) or International Financial Institution (IFI);



- Good knowledge of international organizations/agencies' and national public procurement regulations and procedures;
- Special training on procurement in line with the IFAD, WB or any MDB/IFI would be an advantage;
- Computer proficiency (Windows, MS Office: Word/Excel); and

Abilities to communicate, negotiate, analyze, elaborate and present reports and statements.

## **Annex 2: Technical Assistance for specific training modules for women and youth (ILO package trainings)**

For trainings of women and youth the programme might consider the following training packages developed by ILO:

i) The training package Gender and Entrepreneurship Together – GET Ahead for Women in Enterprise – aims to assist organizations in promoting enterprise development among women in poverty who want to start or are already engaged in small-scale business.

It is proposed that a master trainer on GET provide women's groups (approximately organized in 60 groups) business skills facilitation training tailored on their interests.

For more information, [http://www.ilo.org/global/docs/WCMS\\_248085/lang--en/index.htm](http://www.ilo.org/global/docs/WCMS_248085/lang--en/index.htm)

ii) For training of youth: Suitable and updated packages of the Start and Improve Your Business (SIYB). This is one of the largest global business management training programmes. It has four training package that respond to stages of business development. Master trainers are responsible for youth groups of 10-20 individuals and of selection, formation, training and mentoring for one year.

The 400 youth farmers “new entrants” organized in about 40 groups across EDCs. Each master trainer will be responsible for one group and will accompany and mentor them during the stage I of the programme intervention in the EDC. The 400 youth Champions will then be models for other youth (10 youth each) and thus providing employment and opportunity for them.

For more information, <http://www.ilo.org/empent/areas/start-and-improve-your-business/lang--en/index.htm>

Considering that ILO is actively engaged in promoting women and youth enterprises in Turkey through various programmes at national level, adoption of this training packages has resulted in creation of in country presence of master trainers, thus having GET and SIYB Master trainers are available in Turkey, it is proposed that master trainers will be engaged (as Technical Assistance) to train women and youth.

For more information, <http://www.ilo.org/ankara/lang--en/index.htm>

## **Appendix 6: Planning, M&E and learning and knowledge management**

### **Planning**

318. The monitoring expert will consistently give feedback to RFTs and FMs on the progress of the RCGF.

319. Planning for URDP will be through the detailed Annual Work Plan and Budget (AWPB). The first AWPB will be prepared along with the 18 months procurement plan and presented during the start-up workshop for and sent for IFAD for no objection.

320. The AWPB will be prepared using a participatory bottom-up approach within the economic clusters. Once the priorities have been set at the cluster level and activities defined, the AWPB will be compiled for each province. The two RPMUs will combine the drafted AWPBs for their respective regions and submit to the CPMU in Ankara. The CPMU will consolidate and streamline the two AWPBs and submit it to Strategic Planning Department of MFAL for inclusion in the MFAL budget. The draft AWPB will be sent to IFAD for review and no-objection 60 days prior to start of each year of implementation.

321. The CPMU will use Excel based sheets to consolidate the projects' quantitative financial and physical output. The Excel sheets will include planned and actual data by financing source, category of expenditure, gender, status and timing of all activities on (i) financial expenditure; (ii) physical outputs and outreach; (iii) procurement and contracts; and (iv) indicators for the Results and Impact Management System (RIMS). The CPMU will ensure that all essential numerical tables for AWPB and Progress Reports can be generated, as well as comprehensive monitoring of programme spending and outputs on a daily basis.

322. The AWPB will serve as a tool for guiding project implementation (through clusters) and as a collection of benchmarks against which the project performance can be measured in each implementation year. The presentation will follow the logical framework hierarchy of objectives by component.

323. The content of the AWPB will include; the annual planning process, programme strategy and focus for the year, key constraints and actions needed, implementation approach, components activities and expected targets, consolidated annual budget by financer, categories of expenditure by component/sub-component and agencies responsible for delivery of activities. In addition, it will include appendixes on the logical framework, organization chart, 18-month procurement plan and staff development plan. Detailed guidelines on the AWPB preparation process will be included in the programme implementation manual (PIM).

### **Monitoring and Evaluation**

324. The CPMU M&E specialist will be responsible for M&E activities supported by consultants to conduct annual data collection. Two M&E assistants will be part of the RPMUs to manage M&E activities at regional level and strengthen M&E capacity for monitoring the cluster level activities.

325. During the first year of project implementation technical support will be given to the programme staff to build their capacities and ensure that the M&E system is in place to provide all the required information and reporting. The M&E and knowledge management (KM) activities will be fully described in the project implementation manual (PIM).

326. At the CPMU level the M&E specialist will work on consolidating the data received from the two regional M&E assistants and s/he will then work on providing the required information through progress reports. At the regional level the M&E assistant will consolidate the data received from each of the provinces and shall conduct field visits to do spot checks on the data received. While the key responsibilities of the M&E system will rely on the two RPMU M&E assistants, all other implementation agencies at provincial, district and cluster level will play important roles in collecting and analysing data to assess outcomes and impact of programme activities.

## Results Based M&E

327. The results-based approach will be adopted through the M&E system. This will be through accounting for progress against AWPB targets; and periodic assessments of movement towards achievement of beneficiary impact. The CPMU M&E specialist will develop the M&E matrix and performance checklist to orient the selection of indicators, baseline data, methods for data collection, synthesis and a communication strategy for lessons learned. The draft programme M&E matrix will be prepared in a participatory manner as part of the start-up activities in line with the logical framework.

328. Key M&E activities will comprise the programme implementation manual and the baseline survey at design stage, the AWPB, quarterly progress reporting of activity and output targets and achievements, mid-term review, and the completion report along with the programme completion survey. The M&E activities will take into consideration the following:

- Data will be disaggregated by sex, age category, province, and targeting groups
- Progress reporting will be in comparison with appraisal targets and the AWPB
- Monthly meeting at the CPMU with the presence of RPMU officers to discuss implementation progress versus targets
- Regular field visits from M&E specialist/assistants and component officers
- Documenting of stories from the field for different component beneficiaries
- Reporting on lessons learned and best practices and working on scaling-up

## Core M&E Activities

329. **Project Baseline Study.** The project baseline is a critical element in the project M&E system. It provides the basis for the assessment of how efficiently the activity has been implemented and results achieved. As highlighted under section C of the main report, given the importance of the baseline survey and taking into consideration previous experience, the mission recommends that the baseline survey is undertaken during the design process and is completed before the end of 2017. Data from the baseline for the M&E indicators will be updated on annual basis to track the different project indicators over time, including for the MTR. Under the M&E system the data will be analysed to ensure that URDP activities are on the right directions and assess whether or not the targets for the indicators will be achieved. Shock resilience will be measured using IFADs multidimensional poverty assessment tool, consisting of a set of questions aiming to assess the exposure of households to shocks, how they cope with the shocks, and ability to recover. Through a technical method of calculation a resilience score is given to each household. This methodology will be used in the project baseline survey to establish baseline figures and the resilience will be assessed during MTR and completion.

330. **Annual data collection.** On an annual basis, a representative sample of the beneficiaries will be selected for data collection to capture data related to implementation progress and changes in beneficiary status. The project will follow the annual outcome survey methodology. The annual outcome survey (AOS) is a project M&E tool to measure the progress of IFAD-funded operations towards their objectives. Annual outcome surveys allow project managers and stakeholders to review a project's performance and outcome at the household level, assess the efficacy of its targeting strategy and provide early indication of its success or failure. AOS were introduced in 2009 to shift the focus from documenting impact at completion to measuring project outcome during implementation.

331.

332. **Mid-term Review (MTR).** This is an external process and progress evaluation towards the middle of the period of implementation of the project, i.e. in year 4. It will assess operational aspects such as programme management and implementation of activities and the extent to which the objectives are being fulfilled. It will focus on corrective actions needed for the project to achieve impact. Before, the MTR mission, the project will ensure that the updated baseline data and the progress on the log frame indicators is available. This data available in hand during the MTR will facilitate the missions' assessment of the project overall performance.

333. **Programme completion survey** (impact evaluation) will use the same questionnaires used for the baseline to allow for comparison against baseline results. In addition, a panel of households will

be interviewed to provide a thorough qualitative analysis of programme impact. Moreover, analysis will be done by beneficiary status, region and gender of household head.

334. **A database of programme beneficiaries** will be established by the RPMU for use at province level. This database will include detailed information about each beneficiary. The database will be consolidated at the CPMU by the M&E specialist. This database will be utilized for different purposes including sampling for the different surveys, tracking the beneficiaries outreach as well as selection of beneficiaries to visit during the supervision missions.

335. **Geo-referencing.** The program will adopt the geo-reference methodology developed in NEN to support implementation and M&E processes. The use of the geo-referencing methodology will be included in the PIM and relevant activities will be embedded in the M&E plan of the program.

336. **New RIMS<sup>93</sup> system.** The new system links the outputs and outcomes (core indicators) to strategic objectives (SOs) and areas of thematic focus of the IFAD Strategic Framework 2016-2025. The new core indicators that are relevant for the URDP project are already included under the log frame.

## Reporting

337. **Progress Reports.** The physical and financial progress reporting will be tied to the AWPB targets. Each of the two RPMU will prepare a quarterly progress report and send it to the CPMU which will prepare a consolidated quarterly progress report. The progress reports will compare actual achievements against those planned, including expenditures, and explaining variations between the two. The semi-annual physical progress will be recorded in terms of quantitative outputs, activities and inputs, presented in tabular spreadsheet forms. The consolidated progress report will identify the constraints to implementation and corrective actions that have been taken. The progress report will also describe the number of beneficiaries, disaggregated by sex including the type of activities they have participated in. Those progress reports will serve as knowledge products.

338. The main functions of progress reports will be:

- Review current progress compared to planned activities, and expenditure compared to budget;
- Provide overall status information on the project since it started, in terms of physical progress and total expenditure;
- Identify problems during the reporting period and steps to solve these problems;
- Analyse strengths and weaknesses, opportunities and threats;
- Discuss quantitative and qualitative progress made in achieving overall objectives; and
- Provide strategic direction for the next planning cycle.

## Organization and staffing of M&E activities

339. The M&E function will be led by the CPMU M&E specialist and s/he will be reporting to the programme director. S/he will be responsible for the following tasks:

- Developing monitoring instruments and revise/modify these after field-testing.
- Reviewing the quality of existing social and economic data in the programme area, the methods of collecting it and the degree to which it will provide good baseline statistics for impact evaluation.
- Collating and recording data by programme component and region/province.
- Processing and analysing data to provide information for reviews and reports.
- Consolidating the annual work plan and budget of components/activities received from the RPMUs.
- Consolidating and submitting GoT and IFAD regular reports.

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<sup>93</sup> The new RIMS framework was approved by the 120<sup>th</sup> session of the IFAD executive board in April, 2017.

- Organizing and leading formal and informal discussions, meetings, workshops for reviewing and implementation for reflection.
- Establishing and leading a feedback loop by providing and receiving feedback to and from all stakeholders concerned, and follow-up.

523. The M&E assistants at the RPMU will undertake the following responsibilities:

- Ensure that programme M&E is carried out in accordance with the programme's guidelines and procedures.
- Document and collect information on lessons learned, including case studies and special research.
- Participate in preparation of province level AWPBs and consolidation into the regional AWPB.
- Help organize stakeholder workshops for feedback to and input from all stakeholders.
- Systematically compile lessons learned from programme implementation into formats suitable for dissemination.
- Assess field reports to identify possible implications for implementation and agree on corrective action to be taken with the decision makers.
- Actively seek to understand problems and unexpected positive/negative impacts, discussing these with primary stakeholders and senior management.
- Regularly report to the CPMU M&E specialist on programme operations including activities, processes, and outputs on monthly basis.

### **Learning, innovation, scaling up and knowledge management**

340. **Learning.** The main functions of progress reports will be: to ensure: (i) programme launch is effective for visibility (ii) knowledge management indicators are included in the M&E system; (iii) of setting up solid information management systems (e.g. electronic archives); (iv) clarifying roles and responsibilities in knowledge management in the programme management and implementation teams; (v) facilitating internal programme learning and cross-project exchanges; (vi) organising exchanges with other projects and agencies (Turkish International Cooperation Agency (TIKA) through SSTC as highlighted below), organising targeted workshops, and other activities to disseminate results and attract the interest of government and development partners for improvement of their practices, replication and scaling up of tested and documented innovations.

341. The multi-stakeholder platform meetings will be a learning process including discussions on the various topics related to the economic development cluster approach and the value chain development. It will provide a venue for discussing programme achievements and innovations, identifying successes and problems as well as good practices, and promoting possible solutions. Since all stakeholders will participate in those meetings it will be a learning loop through the implementation of the programme.

342. **Innovation and scaling up;** The economic development cluster approach and the establishment of MSPs is deemed by practitioners on the ground as a new way of engaging rural poor particularly in the mountainous regions. The implementation of this approach will be monitored closely and when tested and proven to be successful, an assessment will be done and a knowledge product (for example a how to do note) will be developed for sharing and possible to promote scaling up in other provinces.

343. **Knowledge management.** In order to enhance the learning process and the dissemination of results, a knowledge management and communication strategy will be developed and integrated into the management of the programme. The strategy will include which thematic areas of learning the programme will be focusing on (economic development cluster approach, multi-stakeholders platforms, access to markets, credit guarantee schemes, etc.). The strategy will outline how the knowledge generated will be disseminated and will identify most appropriate channels.

344. Knowledge management will consequently play a central role in the programme. Both GoT and IFAD perceive URDP as a significant learning and knowledge management investment in addressing economic and social imbalances between urban and rural areas. This a challenge that most middle income countries increasingly face, and which relevance for IFAD and its partners will only increase with time as incomes and urbanisation grow. URDP has the potential to bring immense field experience into the policy discourse on clustering, rural youth and women agribusiness development in Turkey and disseminate that to a wider international audience. Knowledge generated by this programme will contribute significantly to the design and implementation of youth empowerment agricultural interventions within the agriculture sector as a whole with support from the GoT. The MSPs present a powerful mechanism through which knowledge sharing will happen to improve information flow among diverse stakeholders.

345. Therefore, **knowledge** generation will be the main scaling up pathway. The programme will help GoT to generate knowledge on the impact of cluster investment partnerships and subsidies and inform programme pipeline development and best use of subsidies to benefit rural upland farmers. Additionally, grant funding is included in the programme which will be used for knowledge sharing of the tested *economic cluster approach* for poverty reduction in mountainous ecosystems in similar countries through south-south cooperation<sup>94</sup>. The ongoing successful cooperation between IFAD and TIKA will be the pillar and the driver for the knowledge sharing within the framework of south-south cooperation.

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<sup>94</sup> As part of its Strategic Framework 2016-2025, IFAD plans to strengthen its work in the area of SSTC, seeing it as an integral part of its business model and of its country programming process.





## Appendix 7: Financial management and disbursement arrangements

499. Country fiduciary risk assessment. A Public Financial Management Performance Benchmarking Study was conducted by the World Bank in 2009<sup>95</sup>. The Turkish Government has built a successful track record of PFM reform since 2001. The progress so far has significantly improved the comprehensiveness, transparency, and credibility of the PFM system. Turkey has achieved major transformations in its legal and institutional frameworks and also introduced information system changes. Changes in budget and accounting systems now provide a sound infrastructure for the smooth implementation of the remaining PFM reform agenda.

500. Despite these achievements, the full implementation of such a comprehensive reform by the line agencies will take several years and requires fine-tuning while in progress. Since 2001, Turkey has been pursuing large-scale reforms relatively quickly. It is therefore natural that achievements have been realized more on upstream budget issues than downstream implementation. Reforms such as upgrading legal and institutional framework, the introduction of medium-term planning and budgeting, changes in budget definitions and classification, the elimination of off-budget activities, and setting implementation standards and guidelines have so far been led by the central policy institutions. These reforms are reflected in strong ratings in this benchmarking exercise.

501. Turkey is therefore in a transition period of the reform process and faces the challenges of detailed implementation. As reflected in this benchmarking exercise, weaknesses in downstream budget reform areas such as internal control and internal audit systems, a complementary external audit function, and commitment monitoring systems now pose the main challenges. Additionally, ownership at the strategy developments units of the line agencies is a critical factor for the sustainable success of the PFM reforms.

502. In terms of 'inherent' fiduciary risk, Turkey is in the Medium bracket. In 2106, Transparency International's Corruption Perception Index ranked Turkey 75 of 176 countries (down from 53 of 177 in 2013) with a score of 41 (down from 50 in 2013). In line with the overall governance indicators that serve as a foundation for anti-corruption performance, Turkey has been performing relatively better than the Europe/ Central Asia upper middle income countries on a range of corruption indicators. However, further improvements are needed to catch up with the OECD high-income countries. Turkey's score in Transparency International's Corruption Perception Index also confirms this need. Similarly in all levels of public institutions - public administration, judiciary, and legislature – controlling corruption requires additional government attention.

503. The Strategic Framework for Public Expenditure Management Reform introduced a comprehensive approach to public expenditure management in 2001. Enactment of a new Public Financial Management and Control law (2003) formed the cornerstone of the legal framework for the modern public financial management system in Turkey. The Law which addressed a number of weaknesses in the existing system (i) brought forward the concept of 'general government' incorporating a comprehensive definition for public revenues and expenditures, ii) introduced a medium term approach to budget preparation in line with strategic planning, iii) provided a description of the accountability of ministers and heads of public administrations, iv) provided the MOF with clear legal authority to determine budget classifications, accounting and reporting standards for all government agencies, v) delegated financial control responsibilities to spending units, and vi) strengthened government accountability by extending the scope and mandate of the external audit.<sup>96</sup>

504. While there has been a major transformation in the public sector management as a result of the reform initiatives, implementation challenges still remain. These are mainly the lack of linkages between plans, polices and budget, credibility of the medium term fiscal framework, need for improve-

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<sup>95</sup> WB Turkey Public Financial Management Performance Benchmarking Study, 2009. (Draft)

<sup>96</sup> WB Turkey Governance Diagnostic Assessment, 2014.

ments in the quality of strategic planning in line agencies, problems in the implementation of the new internal and external audit frameworks, incomplete reform of the public procurement system, need for improved parliamentary scrutiny for the budget preparation and its implementation.

**505. Programme fiduciary risk assessment.** In recent years, IFAD's country programme that are implemented by the MFAL in Turkey consisted of four projects, the recently closed SEDP and DBSDP, and the on-going AKADP and GTWDP. At the MFAL, the Financial Management and Procurement are outsourced to UNDP. The financial management for DBSDP and AKADP are rated satisfactory and the rating of GTWDP will be determined during the first supervision mission which will take place in the near future. MFAL decided that financial management and procurement for URDP will be carried out by the Ministry with the advantages of decrease in programme management cost, increased ownership of the programme and increased capacity of the ministry in managing donor funded projects.

506. Following the programme fiduciary risk assessment, the overall fiduciary risk is rated as *Medium*, for the following reasons: (i) non-availability of adequate qualified finance and procurement staff with prior experience of donor procedures within MFAL; (ii) programme is spread over two regions, six provinces and 35 districts; (iii) there is no programme-specific procedures manual available; (iv) Complexity of reporting to both GoT and IFAD; and (v) programme to be low on the priority list of the Internal Audit department due to size of the programme as compared to MFAL overall budget. The residual financial management risk may be reduced to *Low*, provided that the programme implements the following risk mitigation measures:

- Competitive recruitment of finance and procurement staff at market salaries with IFAD No objection;
- Full training of accounts staff in IFAD financial management and procurement procedures;
- Support from IFAD Country office and FM and Procurement team/consultants during the first years of programme implementation;
- Development of a comprehensive Programme Implementation Manual (PIM) including financial, procurement and administrative procedures specifically for the programme.
- Installation of an adequate computerized accounting software meeting IFAD requirements;
- Development of Job Descriptions, annual targets, annual performance appraisal and increments.
- Involvement of Internal Audit Department in the development of PIM and to review implementation of the internal controls around MTR and also during the last year of the programme and share reports with IFAD.

**507. Implementation arrangements.** The Under secretariat of Treasury will represent the Borrower (GoT) while URDP will be anchored to the General Directorate for Agricultural Reform (GDAR) of MFAL (implementing agency). The overall responsibility for URDP's oversight, political guidance and implementation will rest with MFAL. Day to day coordination will be undertaken by the CPMU supported by two dedicated regional programme coordination units (RPCU) based in Adana and Kastamonu, whereas there will be a provincial support team in each of the six initial provinces, all housed in the PDAs.

508. The principal functions of the CPMU and RPMU will be to carry out the overall programming and budgeting of URDP activities, take the lead in implementation - in cooperation with districts, business development partners and other services providers, contractors, beneficiary institutions such as farmer-based organisations, transformation drivers, associations and cooperatives - to monitor and document programme progress, and to draw out the lessons learned from the programme implementation model.

509. The RPCUs will each be staffed with 5 persons: a youth and social inclusion specialist, a marketing/value chain specialist, a horticultural expert, a livestock specialist (both small ruminants and cattle) and a fiduciary officer. The six PDA teams will have 3 dedicated staff; a social mobilization/inclusion, a marketing/value chain and a technical expert relevant to the province. All RPMU and provincial staff will be seconded from GoT to the programme except fiduciary officer at RPCU who will be contracted staff. The CPMU staff will also be expanded, but with contracted staff for e.g. M&E, knowledge management, financial management and procurement.

510. Component 2 - Increased utilization of financial services will be implemented through the creation of Turkish Rural Credit Guarantee Facility (TRCGF), within the framework of the existing Credit Guarantee Fund (KGF) and participating banks and agricultural credit cooperatives (ACC). Detailed implementation arrangements for this components will be developed by the programme.

511. **Financial Management Organization and staffing.** Central Programme Management Unit (CPMU) will be established and located in Ankara under General Directorate of Agrarian Reform (GDAR) of Ministry of Food, Agriculture and Livestock (MFAL) and will have overall responsibility for programme financial management, including over those activities implemented by RPCU based in Adana and Kastamonu and provincial support teams (PST) in each of the six initial provinces, all housed in the PDAs. The GDAR Deputy General Director will be responsible for oversight of the entire project.

512. At the central office in Ankara, the team will include (i) Finance Manager responsible for supervision of all fiduciary aspects, for financial reporting to IFAD and GoT and withdrawal applications; and (ii) Accountant responsible for accounting, treasury management and payments. At the RPCU level the Fiduciary officer will be responsible for ensuring compliance with financial and procurement procedures for all expenditure.

513. The finance manager, accountant and fiduciary officer will be recruited competitively. They should have an experience of donor funded projects and with IFAD No objection of the process and the selected candidates. All of the finance team will undertake the IFAD e-Learning on Financial Management Procedures. Detailed job descriptions for financial staff will be included in the PIM.

514. **Budgeting.** All programme activities for all components and sub-components will be included in an Annual Work Plan and Budget (AWPB). The AWPB will indicate what activities and expenditures will be implemented at Central, Regional, Provincial, and District (including village levels, and the extent to which budgeted expenditures are intended to be financed from each financing source (IFAD Loan, IFAD Grant, Counterpart funds and Beneficiaries). The AWPB will also include (i) full documentation of all unit costs assumptions and hypotheses and (ii) summary tables showing forecasted disbursement rates against allocations (by category and by component). Budgets will be in a format that includes the quarterly financing requirements for each financier separately.

515. The CPMU through MFAL will submit to the Ministry of Development (MOD) for their review the project's proposed consolidated budget by the end of June of the preceding year. The proposed budget is subject to negotiations with MOD to determine the final budget allocation. The final approved allocation from IFAD and counterpart contribution is decided on Sep/Oct. The agreed/approved final budget allocation will be included in the national investment plan.

516. Based on the approved allocation the budget initiation will begin at the village level and is facilitated by Farmer Organisations and consolidated by CPMU for the entire project. Annual workshop will be held between CPMU, RPCUs and PSTs to facilitate finalization and consolidation of AWBP. The CPMU will be responsible for consolidation of AWPB including the procurement plan and submission to the GDAR and consequently IFAD for approval two months before the end of the fiscal year. AWPBs, once approved, will be available to all Programme parties and staff.

517. The approved budget will be incorporated in the MFAL Strategic Planning and MoF web based budgetary Systems in accordance with government budgetary charts of accounts. The accounting system will allow for budgeting that facilitates tracking of actual against budgeted expenditures by financing category, component and sub-component to facilitate course correction for variance from budget, a quarterly programme management meeting will be conducted between CPMU, RPCUs and PSTs to review the financial performance and to determine if any amendments are required.

518. **Disbursement Arrangements and Flow of Funds.** A chart of the flow of funds arrangements is shown as Appendix 7.1. The programme will use available disbursement methods of replenishment, reimbursement and direct payments. It is expected that most expenditures will be through the designated accounts using the Imprest mechanism. *IFAD loan and grant funds* will be channelled through the Central Bank of Turkey to the respective designated account in EUR and will be managed by the CPMU. An initial advance equivalent to approximately 6 months of programme expenditure will be

authorized<sup>97</sup> so as to ensure a smooth flow of funds and to avoid delays in programme implementation.

519. The fund to Credit Guarantee Fund from the loan proceeds shall have a separate (account) ledger and will not be mingled with other funds. The fund will be transferred in tranches upon the receipt of the following: (i) the signed sub-agreement between MFAL and the entity managing the Guarantee Fund; (ii) a request from the entity managing the guarantee fund specifying the amount and the banking details of the payment; and (iii) bank certification from showing the banking details of the credit guarantee fund with details on who is authorised to operate the account.

520. Counterpart contribution for programme activities and foregone taxes will be made available at the beginning of each fiscal year through a single Treasury code/MOF as per approved budget allocations.

521. All requests for payments against expenditures incurred are made through the MOF web based Public Expenditure System. Funds then flow to the recipient directly from the IFAD Loan, Grant and counterpart accounts after payment has been approved by MOF accountants.

522. The Programme will be allowed to use Direct Payment only for expenditures that are in excess of 30% of the advance to the Designated Account. Replenishment Applications will be prepared by the CPMU and will be submitted to IFAD, at a minimum every quarter or when 30% of the designated account has been utilized for eligible expenditures, whichever occurs earlier. Details regarding the designated account allocations and SoE thresholds will be found in the Letter to the Borrower/Recipient.

523. Beneficiaries cash contribution on cluster investment partnerships activities will be deposited into suppliers, contracts and services providers bank accounts in advance, while the programme contribution will be paid to beneficiary bank account upon receiving confirmation by the established/designated committee that the delivery of the services/goods have taken place along with the bank advice of the deposit of the beneficiary share into supplier/service provider bank account and other supporting documents.

524. **First disbursement conditions.** The following will be designated as precedent to disbursement of funds: (i) opening of the designated account; and (iii) IFAD no objection on a draft Programme Implementation Manual (including the financial, procurement and administrative procedures manual); (iv) recruitment of key programme staff and (v). procurement and installation of a reliable accounting software system which will be used by CPMU of MFAL for URDP and future IFAD funded projects..

525. **Start-up costs.** withdrawals from the IFAD financing in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an amount of EUR 390,000 equivalent. These funds are intended to cover the recruitment of CPMU key personnel and their salaries for four months (EUR 40,000); base-line survey (EUR 50,000); and purchase of basic equipment such as computers, photocopier and printers and installation of an accounting software system (EUR 300,000).

526. **Specific disbursement conditions for Credit Guarantee Fund.** No funds will be transferred to the guarantee funds before the following conditions have been fulfilled: (i) the eligibility criteria for the Credit Guarantee Fund have been approved by IFAD; (ii) the sub-agreement between MOFL and the entity managing the Guarantee Fund has been fully formalised; and (iii) the modalities of the guarantee fund have been formalised and received IFAD No objection.

527. **Internal Controls and procedures manual.** Internal Controls are considered adequate. There is segregation of duties given the distinctive feature of the accounting system in Turkey. The MOF maintains the accounts of general budget institutions including foreign funded projects budgets and executes their payments through MOF accountants located in the ministries.

528. The payment process cycle goes through several steps: i) the payment request will be prepared by the respective programme team member at CPMU, RPCUs or PSTs, ii) they are reviewed by the accountant and approved by relevant budget holder at CPMU; iii) the approved payment requests will

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<sup>97</sup> Maximum initial advance is expected to be EU 4 million, and will be defined in the Letter to the Borrower.

be inputted into Public Expenditures System by the accountant and, and iv) approved payment request with original supporting documents are submitted to MoF's on site Accountants for their review and execution. The payments are all through bank transfers.

529. All internal control mechanism will be detailed within the financial management arrangements of the PIM and will be prepared before disbursement begins, including those for cluster investment partnerships to individuals framers and existing and new enterprises, informal groups, famers associations, new SMEs etc. Internal Audit Department of MFAL will be involved in development and implementation of internal control policies and procedures for the programme. IFAD will be requested to provide a No Objection on the PIM.

530. **Accounting systems, policies and procedures.** The Ministry of Finance (MoF) maintains the accounts of general budget institutions and executes their payments through MoF Accountants located on site/in province. For that purpose, MOF has developed a web-based Public Expenditures and Accounting Information System. CPMU payments from IFAD Loan, Grant and Government of Turkey Counterpart Contribution proceeds all will be performed through MoF system and in local currency. The payments in local currency are converted to designated account currency applying the exchange rate on the date of payment. The accounting records for the Credit Guarantee Fund and related transaction shall be kept the managing entity of the fund.

531. CPMU will acquire and install an accounting software designed (or customizable) for programme accounting that will allow for (i) double-entry accounting, (ii) recording and reporting of transactions by component, category, source of fund, AWPB activity, province and district, (iii) budget monitoring, (iv) automated production of SOE and withdrawal applications, (v) automated bank reconciliations, (vi) contract management and monitoring of financial commitments, and (vii) production of the required financial reports and statements. For selection of software, software used by WB and other donor projects and developed in Turkey will be evaluated in addition to internationally available software specifically developed for projects. IFAD No Objection will be required for the selection of the software to ensure compliance with IFAD requirements.

532. All accounting policies and procedures, related to the programme will be clearly documented in the PIM and making reference to MoF system manual. Beneficiaries in cash contribution on cluster investment partnerships will be recorded under separate account code within the accounting module of MIS.

533. **Financial Reporting.** The CPMU will prepare monthly financial reports for dissemination to programme management at CPMU, RPCU and PSTs, that will include analyses of disbursement rates by expense category, AWPB financial execution by subcomponent (budget vs. actual for the month and cumulatively), cash position and forecast, implementing partners' financial situation, procurement plan execution and any salient administrative issues.

534. Interim unaudited financial reports (IFR) will be submitted to IFAD within 45 days of the end of each quarter. The IFR will summarize the programme financial situation for each funding source and will include analytical comments on budget variances, as well as any constraints faced in the fiduciary area. The Financial Statements will be in formats acceptable to IFAD and samples of the same should be available in the financial management arrangement of the PIM. The financial reports will provide information to the programme management and stakeholders to facilitate decision processes.

535. Unaudited annual financial statements will be produced by the CPMU and submitted to both IFAD and the external auditors within 2 months following each year-end. The financial statements will be in accordance with the accounting standards used by Government of Turkey for external audit in line with IFAD's General Condition. Audited financial statement will be submitted to IFAD within six months of the end of fiscal year.

536. The entity managing the credit guarantee fund will provide periodic financial reports signed by the authorised representative and will contain the following information: (i) account reconciliation showing the opening and closing balances and movement during reporting period; (ii) and statement of sources and uses of funds; (iii) list of the all the guarantees paid out from the account including the amount, the beneficiary organisation/name, and the beneficiary address and application number; and minutes of the guarantee committee or equal approving the guarantee application.

537. **Internal Audit.** The MFAL has an Internal Audit Department (IAD) that is established as a part of the new public financial management framework. The internal audit function has been integrated into the overall control environment of the MFAL and provides assistance in developing internal controls and testing them. The IAD performs Risk Based Audits, System Audits, Control Audits and Compliance Audits. The IAD team is well qualified and IAD function is independent and works according to its plan.

538. In the first year of the programme, the IAD will provide guidance to the CPMU in the development of PIM, Control environment and control procedures. IAD will review implementation of the internal controls around MTR and also around the end of the programme and share its reports with IFAD. Involvement of Internal Audit Department to be ensured through stipulation in the Financing Agreement.

539. **External Audit.** The Project's consolidated financial statements will be audited annually by the Treasury Controllers in accordance with International Auditing Standards and in compliance with IFAD's Guidelines on Programme Audits. The Treasury Controllers are the external auditors for all internationally funded projects including on-going IFAD and WB implemented by the ministries in Turkey. The auditors TOR should be submitted for IFAD No Objection and the auditors need to be appointed/contracted within 90 days of the start of the financial year. The Credit Guarantee Fund will be audited as part of the annual audit by the external auditor, and entity managing the credit Guarantee Fund shall make all necessary related financial information available for external auditor including financial reports, bank account, and supporting documents for each transaction,

540. In accordance with IFAD requirements, the auditor will be required to issue separate opinions on the programme financial statements, statements of expenditure and the designated account. The final audit report and management letter are required to be submitted to IFAD by the GoT at the latest six months after the end of each fiscal year. MFAL is also subject to the audit of Turkish Court of Accounts (TCA) – the supreme audit Institution in Turkey.

541. **Taxation.** IFAD Loan and Grants proceeds cannot be utilized for the payment of Taxes.

542. **Credit Guarantee Fund exit strategy.** GoT shall make the Guarantee Fund available for beneficiaries up to the 18<sup>th</sup> anniversary of the date of the fulfilment of the loan disbursement conditions unless agreed otherwise by IFAD, and in accordance with the terms and condition of the agreement between MFAL and the entity managing the credit guarantee fund.

543. **Anticorruption ad Good Governance Framework.** Anticorruption and governance framework. The primary responsibility for enforcing good governance (including the detection of fraud and corruption) lies with the Government. Nevertheless, all programme stakeholders should be aware that IFAD applies a zero tolerance policy towards fraudulent, corrupt, collusive or coercive actions in programme financed through its loans and grants. "Zero tolerance" means that IFAD will pursue all allegations falling under the scope of this policy and that appropriate sanctions will be applied where the allegations are substantiated. IFAD shall take all possible actions to protect from reprisals individuals who help reveal corrupt practices in its programme or grant activities and individuals or entities subject to unfair or malicious allegations. Given IFAD's zero tolerance policy described above, it is important that the staff and all stakeholders of the programme are familiar with IFAD's as well as federal/provincial anticorruption policies and whistle blowing procedures. The IFAD anticorruption policy is available on the IFAD website at [www.ifad.org/governance/anticorruption/index.htm](http://www.ifad.org/governance/anticorruption/index.htm) . The IFAD website also provides instructions on how to report any alleged wrongdoing to the Office of Audit and Oversight (<http://www.ifad.org/governance/anticorruption/how.htm>).

544. Additionally, in accordance with IFAD guidelines, procurement for goods, works and services financed from resources funded or administered by IFAD will require bidding documents and contracts to include a provision requiring suppliers, contractors and consultants to (i) ensure compliance with IFAD's anticorruption policy and (ii) allow IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited, if deemed necessary. Lastly, the programme will promote good governance through the involvement of communities and beneficiaries in (i) the preparation of the annual work plans and budgets; (ii) the procurement process (at community level); and (iii) the monitoring and evaluation of programme activities.

545. **Financial management supervision and implementation support.** In light of the risk assessment, the supervision and implementation support plan of the programme will especially focus on the following actions:

- Detailed review of adequacy of the staffing arrangements at the CPMU and RPCCUs.
- Detailed review of the Financial Management Arrangement to PIM including, relevant policies, guidelines and criteria with regards to the cluster investment partnership activities.
- Full training of Finance unit staff as part of the programme start-up workshop
- Participation of Finance unit staff in workshops or training sessions organized by IFAD
- One full fiduciary review (as part of a supervision mission) and at least one follow-up/implementation support mission each year, including updating of the financial management risk assessment
- Refresher training to finance staff as required, as part of the supervision or implementation support missions
- Follow-up on work performed and recommendations issued by the Internal Auditor and the external auditors.

546. The supervision process will be complemented by desk review of progress and financial reports, the project's annual financial statements, internal audit reports, and annual audits.

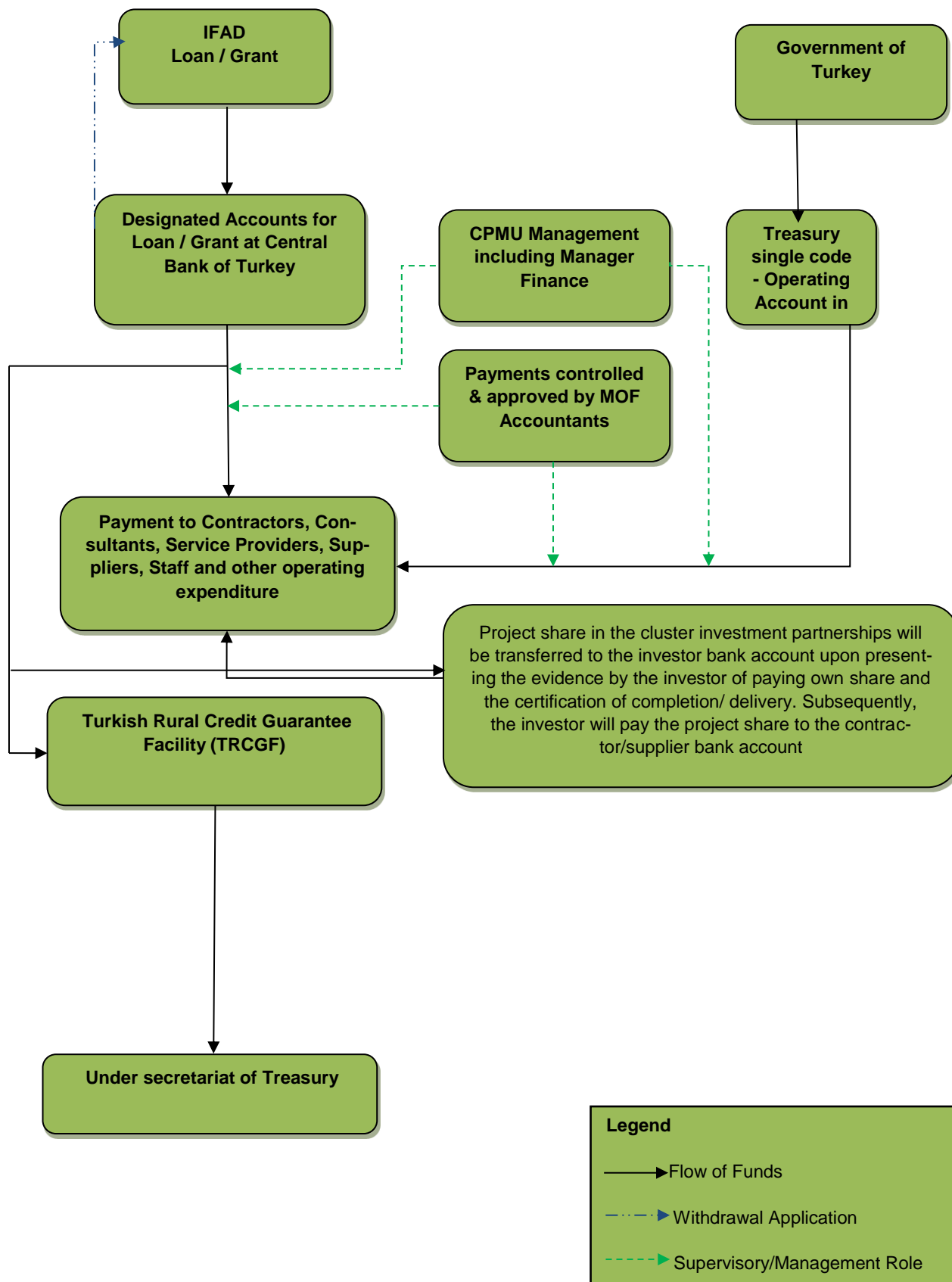
547. **Implementation readiness.** The table below summarizes the actions to be taken in the area of financial management to mitigate FM risks and meet disbursement conditions:

**Table 30: Action to mitigate financial management risks**

No	Action	Responsible Party	Target Date / Covenants
1	Opening of designated account	GoT	Disbursement condition
2	Drafting of PIM	CPMU	Disbursement condition
3	Recruitment of key programme personnel	GoT	Disbursement condition
4	Installation of adequate accounting software	CPMU	Disbursement condition
5	Training of accounts staff in IFAD procedures	IFAD	Start-up workshop and 1 <sup>st</sup> year
6	Obtaining IFAD FM e-learning certification by accounts staff	CPMU	Within first year of programme
7	Credit Guarantee Fund disbursement condition as specified in annex 7	GOT/CPMU	Disbursement condition for Credit Fund Category

### Appendix 7.1. Flow of Funds

Figure 20: Flow of funds









## Appendix 7. 2. Programme Control Risk – Summary

**Table 31: Financial risk mitigation**

Description	Initial Risk Assessment	Proposed mitigation	Final Risk Assessment
<b>Inherent Risk</b>			
<b>1. Country Level</b> TI Index 41 (rank 75/176)	-	-	<b>M</b>
<b>2. Entity &amp; Programme Design</b>	<b>M</b>		<b>L</b>
a. MFAL will be responsible for IFAD funds' Financial Management and Procurement for the first time.		<ul style="list-style-type: none"> <li>• CPMU will be established and staffed through hiring of professional and experienced Financial Management and Procurement team.</li> <li>• Each RPCU will have Fiduciary officer responsible for both finance and procurement functions.</li> <li>• Programme Implementation Manual (PIM) including financial, procurement and administrative procedures will be developed.</li> <li>• Computerized accounting system for the programme will be implemented.</li> </ul>	
b. Programme is spread over two regions and six provinces.	<b>M</b>	<ul style="list-style-type: none"> <li>• RPCUs will be established in each region while PPMUs will be established in each province.</li> <li>• Each RPCUs will have Fiduciary officer responsible for both finance and procurement functions.</li> </ul>	<b>M</b>
<b>Control Risks</b>			
<b>1. Organization and Staffing</b>	<b>H</b>		<b>M</b>
a. Adequate qualified finance and procurement staff with prior experience of donor procedures are difficult to find within MFAL.		<ul style="list-style-type: none"> <li>• Competitive recruitment of finance and procurement staff from the private sector at market salaries with IFAD No Objection.</li> <li>• Training on IFAD Financial Management and Procurement guidelines and procedures.</li> <li>• Support from IFAD FM and Procurement team/consultants during the first year especially and during the programme generally.</li> <li>• Programme Implementation Manual (PIM) including financial, procurement and administrative procedures to be developed.</li> <li>• Computerized accounting system for the programme to be implemented.</li> </ul>	
b. Turnover in senior finance and procurement positions.		<ul style="list-style-type: none"> <li>• Competitive recruitment of finance and procurement staff from the private sector at market salaries.</li> <li>• Development of Job Descriptions, annual targets, annual performance appraisal and increments.</li> <li>• Employment contract to include appropriate notice period.</li> </ul>	
<b>2. Budgeting</b>	<b>M</b>		<b>L</b>
a. Timely preparation and submission of AWPB.		<ul style="list-style-type: none"> <li>• Training on IFAD policies and procedures to CPMU, RPCU and PST staff involved in budget preparation.</li> <li>• Alignment of the process of budget preparation for the Government of Turkey and for IFAD purposes by the Project.</li> <li>• Annual Workshop for budget preparation.</li> <li>• Implementation Support from IFAD country office under establishment.</li> </ul>	
b. Preparation of realistic budgets.		<ul style="list-style-type: none"> <li>• Annual Workshop for budget preparation reviewing actual implementation of previous year's budget.</li> <li>• Bottom up budget preparation approach to en-</li> </ul>	

		<p>sure realistic targets.</p> <ul style="list-style-type: none"> <li>Quarterly interim financial reports including budget to actual comparisons with reasoning and to be discussed between CPMU, RPCUs and PSTs and corrective action and submitted to IFAD CPM.</li> <li>Implementation Support from IFAD country office under establishment.</li> </ul>	
<b>3. Funds flow and Disbursement Arrangements</b>	<b>M</b>		<b>L</b>
a. Implementation delays due to lack of knowledge of IFAD procedures and limited abilities to forecast liquidity needs.		<ul style="list-style-type: none"> <li>Strong finance team having donor funded projects at CPMU level.</li> <li>Training on IFAD Financial Management and Procurement guidelines and procedures and Certification.</li> <li>Programme Implementation Manual (PIM) including financial, procurement and administrative procedures to be developed</li> <li>Implementation Support from IFAD country office under establishment.</li> </ul>	
b. Delays in IFAD funds flow through Central Bank and GoT through MoF System monitored by MoF Accountants.		<ul style="list-style-type: none"> <li>Detailed fund flow arrangements and continuous follow-up in the first year of implementation to ensure smooth flow of funds and resolution of any issues.</li> </ul>	
<b>4. Internal Controls</b>	<b>M</b>		<b>L</b>
a. Weak control structure due to spread of programme over two regions and six provinces		<ul style="list-style-type: none"> <li>Strong finance and procurement team at CPMU and RPCU level.</li> <li>Programme Implementation Manual (PIM) including financial, procurement and administrative procedures to be developed &amp; implemented including those for Credit Guarantee Fund .</li> <li>Involvement of Internal Audit Department of MFAL in development and implementation of internal control policies and procedures for the Project.</li> <li>MOF accountants located at MFAL HO and provinces to be in reviewing and approving payments.</li> </ul>	
<b>5. Accounting Systems, Policies &amp; Procedures</b>	<b>M</b>		<b>L</b>
a. First time for MFAL to handle FM of IFAD funded projects.		<ul style="list-style-type: none"> <li>Strong finance team having donor funded projects at CPMU level.</li> <li>Training on IFAD Financial Management guidelines and procedures.</li> <li>Programme Implementation Manual (PIM) including financial, procurement and administrative procedures to be developed.</li> <li>Computerized accounting system fulfilling IFAD requirements for the programme to be implemented.</li> </ul>	
<b>6. Reporting and Monitoring</b>	<b>M</b>		<b>L</b>
a. Complexity of reporting to both GoT and IFAD.		<ul style="list-style-type: none"> <li>Strong finance team having donor funded projects at CPMU level.</li> <li>Training on IFAD Financial Management guidelines and procedures.</li> <li>Programme Implementation Manual (PIM) including financial, procurement and administrative procedures to be developed.</li> <li>Computerized accounting system fulfilling IFAD requirements for the programme to be implemented.</li> <li>Support from IFAD Country Office / FM team/consultant during the first year especially and during the programme generally.</li> </ul>	

<b>7. Internal Audit</b>	<b>M</b>		<b>L</b>
a. Programme to be low on the priority list of the Internal Audit department due to size of the programme as compared to MFAL overall budget.		<ul style="list-style-type: none"> <li>• Involvement of Internal Audit Department to be ensured through stipulation in the Financing Agreement.</li> <li>• Internal Audit department to be involved in the development of PIM and Control environment and control procedures of the programme during the first year.</li> <li>• Internal Audit to review implementation of the internal controls around MTR and also during the last year of the programme and share reports with IFAD.</li> </ul>	
<b>8. External Audit</b>	<b>M</b>		<b>L</b>
a. External audit of the programme to be conducted by Treasury Controllers as per IFAD requirements.		<ul style="list-style-type: none"> <li>• Programme to prepare TORs of the External Auditors and obtain No Objection from IFAD and thereafter provide the TORs with the Treasury Controllers.</li> <li>• Credit Guarantee Fund to audited as part of the annual external audit of the programme</li> </ul>	
<b>Programme Fiduciary Risk @ Design</b>	<b>M</b>		<b>L</b>



## Appendix 8: Procurement

### A. Public Procurement Environment in Turkey

548. The existing legal framework for public procurement in Turkey is currently governed by: 1) the Public Procurement Law (PPL) No: 4734 that establishes the principles and procedures to be applied in any procurement held by public authorities and institutions governed by public law, under public control or using public funds and 2) the Public Contracts Law No: 4735 that sets out the procedures and process for public procurement contracts. The overriding principles of the legislation are: i) transparency; ii) competition; iii) equal treatment; iv) reliability; v) confidentiality; vi) public supervision; vii) appropriate and viii) prompt fulfillment of needs; and efficient use of resources. There have been more than 30 amendments since the enactment of the legislation in 2002(based on the UNCITRAL law). The objective of these amendments was to address implementation problems and to align the framework with the EU Directives.

549. The Public Procurement Authority (PPA) is the main regulatory authority. It is: i) administratively and financially autonomous; ii) independent in the fulfillment of its duties and iii) mandated and authorized to closely implement the principles, procedures and proceedings of Law No 4734. PPA provides sufficient regulatory, advisory and operational support to the contracting authorities. It is expected that PPA target its training and operational support at institutions with less capacity such as municipalities.

550. An e-procurement platform (EKAP)<sup>98</sup> was launched in the PPA in 2010. It is an important tool to improve the completion and transparency and to reduce costs. Use of EKAP by all public procuring entities is mandatory and it is expected to be extended to all areas of the public procurement as currently its use is limited with certain steps of the procurement. The Public Procurement Authority (PPA) issues statistics semiannually which provide basis for measuring performance and results as improving the public procurement system. According to PPA's annual report for 2016<sup>99</sup>, the total amount of public contracts procured under the PPL in Turkey is US\$50 billion (174 billion TRY), which is about 7 percent of GDP.

551. The PPL requires that public procurement related complaints need to be made first to the contracting authority. Any ruling by the contracting authority can then be appealed with the PPA. Public Procurement Board (PPB), which acts as a separate body within the PPA, examines the complaints. To avoid possible conflicts of interest the PPB's integration into PPA needs to be reconsidered. PPA's review function does not include the areas exempted from the PPL such as utilities and concessions.

552. Nevertheless, the current procurement legal framework still has certain shortcomings:

- The contracting authorities have the power to restrict participation to domestic companies and products for contracts below certain thresholds. According to the published 2014 end-year statistics by the PPA, in about 80 percent of the total number of contracts, representing 25 percent of the values, foreign bidders were not allowed to participate in the bids due to national thresholds. Furthermore, domestic preference of bidders/goods was applied in 34 percent of the bids open to foreign bidders which represented 30 percent of the total procurement in value. In February 2014, an amendment was introduced in the PPL for mandatory domestic preference requirement to technology products. Also, February 2014 amendment gives competence to the Ministry of Science, Industry and Trade to determine the list of items for which a domestic preference is mandatory. Discrimination of foreign bidders or providing further additional preferences to national R&D or innovative solutions can easily fall foul of international practices. Also, preferences provided to national R&D investors may not generate the intended results without fair international competition.
- A new amendment has been introduced in the PPL in November 2016 to support regional development and to provide preferences to regional companies.

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<sup>98</sup> See: <http://ekap.kik.gov.tr>

<sup>99</sup> Available at : [http://dosyalar.kik.gov.tr/genel/Raporlar/kamu\\_alimlari\\_izleme\\_rapor\\_2016\\_y%C4%B1lsonu.pdf](http://dosyalar.kik.gov.tr/genel/Raporlar/kamu_alimlari_izleme_rapor_2016_y%C4%B1lsonu.pdf)

- Under the PPL, it is always difficult to hire consultants, especially when it comes to international consultants. Hence, Public entities tend to carry out studies or consulting assignments internally;
- Under the PPL, it's not possible to add specific provisions to the National Standard Bidding Documents to meet any specific donors' requirements;
- The Turkish Debarment system is not acceptable to the World Bank because it allows for debarment of non-performing contractors.

## **B. Public Procurement Environment in Turkey**

553. *Donors and development partners' overall appreciation of the current status of public procurement in Turkey.* The existing legal framework for public procurement in Turkey is assessed to be broadly in compliance with international standards. In fact, according to an assessment of Public Procurement laws and practices in EBRD region that was carried out in 2011<sup>100</sup>, the public procurement system in Turkey-both in terms of: i) national public procurement legal framework and regulatory institutions performance and ii) procurement practices- was assessed to be highly compliant with the EBRD benchmark in the Balkan countries and Turkey sub-region.

## **C. GDAR Capacity Assessment**

554. MFAL/GDAR has proven capacity to implement eight successful IFAD-funded projects. For the implementation of the latest three projects, GDAR has outsourced procurement and financial management to UNDP through a General Service Agreement. UNDP has been in charge of dealing with flow of funds arrangements, recruitment of Project Management Unit (PMU) support staff, contracting of technical assistance, and assistance in procurement of goods, civil works and services. While the outsourcing of the fiduciary function has resulted in a good performance of the projects in terms of implementation and fiduciary management, this has not contributed to the establishment of a fiduciary and Monitoring & Evaluation capacity at the level of GDAR. To help the GDAR build and sustain internal capacity, it is not foreseen to totally outsource the fiduciary function. This is primarily due to: 1) the increased fiduciary and M&E capacity in MFAL as the outcome of the increasingly effective involvement of GDAR staff in the implementation of IFAD-funded projects and 2) the high performance of the country procurement and financial systems as assessed by International Financial Institutions working in Turkey (i.e. the World Bank, OECD and EBRD). Nevertheless, if GDAR would need specific technical assistance for the selection of support personnel (namely procurement, Financial Management and Mentoring and Evaluation specialists) and for the procurement of small scale contracts (e.g. operating furniture), GDAR might take advantage of the exemption contained in Article 3 of the Law No.4734 regarding the Goods, services or works that involve foreign financing pursuant to international agreements where the financing agreement states that different tender procedures and principles apply. Overall, the capacity assessment has determined that the Turkish public procurement system is deemed to be consistent with the IFAD's procurement guidelines, in particular, and with the International donor community requirements, in general. Hence, the national procurement system will be used to undertake the programme-funded procurement activities subject to the implementation of the proposed risk mitigation plan.

## **D. Arrangements for Procurement under the Programme**

555. All procurement for the project will be under the oversight of the Central Programme Management Unit (CPMU). The CPMU Procurement Specialist will oversee and carry out URDP procurement activities in coordination with specialized and technical units of MFAL. At the provincial level (PDA), procurement will be limited to small works and locally available service providers such as for transport, subject to close supervision by the Regional Programme Coordination Unit (RPCU) fiduciary officer. As required by the PPL, bidding documents will be submitted by the PDA to the GDAR for approval. All other procurement identified for National Bidding and mainly for Technical Assistance (TA), will be carried out by the CPMU at the Central level. The CPMU will also provide the necessary technical support in preparation of technical specifications, bills of quantities and terms of reference to the RPCU and the PDAs as required. The PPMU, under the oversight of the regional fiduciary officer, would carry out the procurement of some works and small contracts of locally available goods and

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<sup>100</sup> Available at : [www.ebrd.com/downloads/legal/procurement/ppreport.pdf](http://www.ebrd.com/downloads/legal/procurement/ppreport.pdf)



services. While PPMU staff are knowledgeable on national procurement procedures that would be used under URDP, they would need to be trained on applicable IFAD procedures and guidelines to get acquainted with them.

### E. Risk Mitigation Measures

556. The procurement capacity assessment identified the overall procurement implementation risks and gaps and proposed the following mitigation measures:

Analysis of Procurement Capacity	Issues/Risks	Mitigation Measures
<p><u>1. Organization.</u>            Management of the programme involves one unit, in GDAR. This unit will ensure the overall coordination of this programme, including the fiduciary responsibility</p>	<p>During the assessment it was not possible to ascertain that GDAR is committed to the fiduciary responsibility and the tasks that it entails.</p>	<p>It is recommended to make the fiduciary arrangements clear in the legal agreement and in an Programme Implementation Manual (PIM).</p>
<p><u>2. Facilities, Support Capacity and Staffing/Professional Experience.</u>            The programme implementation would involve, in addition to the Central Programme Management Unit (CPMU), other structures/departments of the MFAL such as the general services department.</p>	<p>There are some doubts about the availability of support staff and capacity to undertake programme-related procurement and produce adequate documentation in a timely manner.</p>	<p>(i). Carry out a training to brief and update the MFAL/DGAR staff who will be involved in programme's procurement on the main procurement procedures -- expected to be used in the programme implementation -- before its start;            (ii). Provide for outside technical assistance from a Sr. procurement specialist at the CPMU level and fiduciary officer at each Regional Programme Coordination Unit (RPCU) to help in the preparation of the documents for procurement and selection of consultants, and            (iii) train PDAs staff involved in URDP implementation on applicable IFAD procedures and guidelines to get acquainted with them</p>
<p><u>3. Record Keeping and Filing System.</u>            Procurement records will be kept under the custody of the CPMU at DGAR.</p>	<p>It is not sure that the CPMU will have the capacity to cope with the programme volume of transactions since procurement used to be outsourced to UNDP under previous IFAD-funded programmes</p>	<p>Ensure that instructions and training are given to ensure that programme specific files are kept for all procurement and related transactions and recorded contract by contract.</p>
<p><u>4. Procurement Planning.</u></p>	<p>It is not sure that the CPMU will be able to keep and update the programme's Procurement Plan since procurement planning used to be handled by UNDP</p>	<p>The executing agency should :</p> <p>(i). prepare a detailed Annual Work Plan and Budget (AWP/B) with full costing and maintain an annual Procurement Plan.            (ii) ensure proper coordination between the CPMU and other relevant units and departments at MFAL especially with respect to procurement planning;            (iii). use the procurement plan as a monitoring tool for processing timely activities and not only as a reporting tool.</p>
<p><u>5. Monitoring/Control Systems.</u></p>	<p>While the existing legal framework for public procurement in Turkey is assessed to be broadly in compliance with international standards, it still presents certain shortcomings in terms of procedures.</p>	<p>Have, as part of the Programme Implementation Manual (PIM) a comprehensive chapter describing in a clear manner the adequate procurement procedures to follow for the implementation of the programme.</p>
<p><u>6. Capacity to meet IFAD's Reporting Requirements.</u></p>	<p>Reports (Register of contracts and Annual Report on statistics for the overall procurement transactions) not provided timely and in adequate format.</p>	<p>Confirm that the Programme Coordinator is the person/staff responsible for the reporting as well as to define clearly the content of the reports and the contribution of the CPMU and RPMU members.</p>

**7. Conclusions:** The executing agency, DGPR/CPMU, would have the capacity to carry out and manage the procurement under this financing, provided that the above recommended actions are taken before effectiveness. This does not apply to the Procurement Plan which should be provided before the approval of the financing.

## F. Procurement Arrangements

**557. Overriding principles.** As provided in Section 7.05 of the General Conditions, procurement of goods, works and services shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines and by observing the following specific principles:

- Procurement will be carried out in accordance with Financing Agreement and any duly agreed amendments thereto;
- Procurement will be conducted within the Programme implementation period, except as provided under Article 4.10(a)(ii) of IFAD General Conditions;
- The cost of the procurement is not to exceed the availability of duly allocated funds as per the Financing Agreement;
- Procurement is to be consistent with the duly approved annual work plan and budget (AWP/B) including a procurement plan (for the first time, the procurement plan will cover the first 18 months of the programme implementation period);
- Procurement is to result in the best value of money and fit for purpose.
- All goods, works and services procured will be exempt from duties and taxes.

**558. Procurement of goods.** The goods to be financed under the programme include but are not limited to the following: Office equipment (computers, printers, photocopiers, and other equipment), accounting software, barns, insulated tents, vegetable irrigation system, vehicles, and minibus. Contracts for procurement of goods costing USD 2,000,000<sup>101</sup> or more will be awarded based on International Competitive Bidding (ICB); those costing USD 100 000 or more but less than USD 2,000,000 will be based on National Competitive Bidding (NCB); while those costing less than USD 100,000 will be based on National Shopping/Request for Quotations (RfQ).

**559. Procurement of works.** The works to be financed under the programme include, but are not limited to, the following: construction of fruit processing units, construction of milk collecting and cold storage, construction of Cattle/sheep/goat market/ barrier, construction of Vegetable / fruit markets, construction of Market roads and construction of Irrigation scheme / ponds. The procurement of works estimated to cost more than USD 200,000 and less than USD 30 million will be carried out under National Competitive Bidding (NCB); International Competitive Bidding (ICB) will be applied for contracts estimated to cost USD 30 million and above. National Shopping/RfQ will be applied for contracts with values estimated at USD 200,000 or below, as long as they are clearly identified in the relevant AWPB and procurement plan.

**560. Procurement of consulting services.** The consulting services to be financed under the programme include, but are not limited to, the following: study on Quality Control, study on geographical indication, the recruitment of CPMU and RPMU support staff, baseline survey, mid-term review, completion review, impact assessment, and studies on Sector Development Facility. MFAL/DGAR is expected to conduct (i) Quality and Cost Based Selections (QCBS); (ii) Least-Cost Selection (LCS); (iii) Selection Based on the Consultants' Qualifications (CQS); (iv) Single Source Selection (SSS); and, (v) Selection of Individual Consultants (IC).

<sup>101</sup> Aligned with the World Bank procurement thresholds for Jordan as advertised in the *Bank Guidance Thresholds for procurement approaches and methods by country* effective July 1, 2016 and available at: <https://policies.worldbank.org/sites/pf3/PPFDocuments/Forms/DispPage.aspx?docid=5498e1a3-51d8-4568-bafc-c4c64134dd04&ver=current>

561. **Direct Contracting.** Direct contracting might be used, if duly justified, for some expenses related to venues for training, village/ community based events such as awareness campaigns, farmer exchange and study tours, and visits to demonstration sites.

562. **Access to rural finance.** The component 2 related to *Utilization of financial services* will be implemented in partnership with financial institutions (e.g. Turkey rural credit guarantee facility) with involvement of district associations and cooperatives. This component will improve access to rural finance (individual investment, credit and cluster investment partnerships), and to technical support (demonstration plots and farms). Implementation of this component will be based on agreed procedures to be detailed in a Programme Implementation Manual (PIM).

563. **Prior Review Thresholds.** The following shall be subject to prior review by the Fund:

- i. Award of any contract for goods and equipment to cost USD 100 000 or equivalent or more;
- ii. Award of any contract for works estimated to cost USD 150 000 or equivalent or more;
- iii. Award to a firm of any contract for consulting services estimated to cost USD 75 000 or equivalent;
- iv. Award to an individual of any contract for consulting services estimated to cost USD 30 000 equivalent and more;
- v. All contracts awarded through direct contracting and/or single source selection; and
- vi. Award of and the 1<sup>st</sup> two (2) contracts regardless of the contract amount.

564. The above thresholds may be modified by IFAD during the course of programme implementation unilaterally or based on the request from the GDAR derived from experiences in the field;

565. Procurement will be carried out, as much as possible, through the e-procurement platform (EKAP); and

566. All contracts, with or without prior IFAD approval, will be listed in the Register of Contracts maintained by the procuring entity with the dates of approval as provided by IFAD. As this report facilitates the review and approval of payment requests on contracts, it is to be updated and submitted to the IFAD Country Programme Manager (CPM) on a quarterly basis. It would also be necessary that the CPMU at GDAR prepare annual statistics for the overall procurement transactions carried out for the programme.

567. **Bidding Documents.** All bidding documents for the procurement of goods, works and services would be prepared by the GDAR and/or CPMU specialist(s) as required. At the provincial level, the responsible team PDA and/or RPMU would prepare the procurement documents under the overall guidance of the CPMU. All the procurement documents would be cleared by the GDAR before any action is taken. As per IFAD Procurement Handbook, where ICB is being used, the World Bank ICB procedures, as set forth in their Procurement Guidelines, will apply in all cases.

568. **Procurement Plan.** An indicative procurement plan covering the whole programme duration is provided below. The first 18 months of implementation has been prepared on the basis of the cost-tabs. It provides the basis for the procurement packages, methods, and review thresholds. Full version of the procurement plan covering the whole programme duration will be available at MFAL/DGAR before programme effectiveness. The procurement plan will be updated at least semi-annually in agreement with IFAD or as required to reflect actual programme implementation needs and improvements.

**Goods and Works and Non-consulting services**

**Table 32: Procurement methods and Prior review thresholds**

	Procurement Method	Method Threshold	Prior Review Threshold
1.	ICB	≥ \$2,000,000 – goods ≥ \$30,000,000 – works	≥ \$100,000 – goods ≥ \$150,000 – works and 1 <sup>st</sup> two (2) contracts regardless of the contract amount.

2.	NCB	< \$ 2,000,000 – goods < \$ 30,000,000 – works	≥ \$200,000 – goods ≥ \$200,000 – works and 1 <sup>st</sup> two (2) contracts regardless of the contract amount.
3.	Shopping/RfQ	< \$ 100,000 – goods < \$ 200,000 - works	1 <sup>st</sup> two (2) contracts regardless of the contract amount.
4.	Direct Contracting		All

**Table 33: Procurement Items with Methods and Time Schedule**

1	2	3	4	5	6	7	8	9	10
No	Contract (Description)	Total Estimated Cost (EUR)	Procurement Category	Number of Contracts	Procurement Method	Review by IFAD (Prior/ Post)	Expected Bid-Opening Date	Expected Contract Signing	Expected Contract Completion
1	Procurement of Office IT Equipments (PC, printer, photocopier, other equipment)	282,000.00	Goods	Multiple	NCB/RfQ	Prior	Mar 2018	Jun 2018	Dec 2021
2	Procurement of accounting software	30,000.00	Goods	1	RfQ/Direct contracting	Prior	Mar 2018	May 2018	Dec 2018
3	Procurement of minibus and vehicles	1,420,000.00	Goods	Multiple	NCB	Prior	Mar 2018	Jun 2018	Dec 2022
4	Selection of an event planner to organize MSP members meetings, Fair/festival, farmers exchanges, national study tour	3,446,000.00	Goods	Multiple	NCB	Prior	Mar 2018	Mar 2018	Dec 2024
5	Construction of Cluster supporting infrastructure	19,372,000.00	Works	Multiple	NCB/RfQ	Prior	Oct 2018	Jan 2019	Dec 2023
	<b>TOTAL</b>	<b>24,550,000.00</b>							

## Selection of Consultants

**Prior Review Threshold:** Selection Decisions subject to Prior Review by IFAD as stated in Appendix 8 to the Programme Design Report:

	Selection Method	Prior Review Threshold
1.	Competitive Methods (Firms)	≥ \$75,000
2.	Single Source (Firms)	All
3.	Individual Consultant (IC)	≥ \$30,000
	Single Source (IC)	All

### Consultancy Assignments with Selection Methods and Time Schedule

1	2	3	4	5	6	7	8	9
No	Description of Assignment	Total Estimated Cost (EUR)	Number of Contracts	Selection Method	Review by Bank (Prior / Post)	Expected Proposals Submission Date	Expected Contract Signing	Expected Contract Completion
1	Baseline survey	54,000.00	1	CQS	Prior	Jul 2018	Oct 2018	Mar 2019
2	Training Needs assessment	20,000.00	1	CQS	Prior	May 2018	Aug 2018	Nov 2018
3	Mid-term Review	36,000.00	1	CQS	Post	Feb 2021	May 2021	Dec 2021
4	Impact Assessment	57,000.00	1	CQS	Post	Mar 2025	Jun 2025	Dec 2025
5	Completion review	52,000.00	1	CQS	Post	Mar 2025	Jun 2025	Dec 2025
6	Quality control	218,000.00	Multiple	QCBS	Prior	Throughout the life of the programme		
7	Geographical Indication	905,000.00	Multiple	QCBS	Prior	Throughout the life of the programme		
8	Updated Professional Training	348000	Multiple	QCBS	Prior	Throughout the life of the programme		
9	Other Studies on Sector Development Facility (including different technical studies, such as social, economic, environmental etc.)	1,887,000.00	Multiple	QCBS	Prior	Throughout the life of the programme		
10	PMU Staff	4,149,438.00	Multiple	IC	Prior	Throughout the life of the programme		
	<b>TOTAL</b>	<b>7,726,438.00</b>						



## Appendix 9: Programme cost and financing

### Introduction

569. This appendix covers the programme costs and financing plan, while it also describes the assumptions underlying them and sets out the basis and details of the estimated programme costs.

### Programme costs and financing

#### Main assumptions

570. URDP is financed over an 8-year period, and it is assumed to start in the second semester of 2018. The programme will be implemented in two phases and it will operate over two funding cycles.<sup>102</sup> Each of the two phases within the overall programme is expected to run for 5 years with an overlap of two years. The overall programme cost for the full 8 years is estimated at EUR 98.1 million<sup>103</sup> of which EUR 52.5 million is allocated for the first phase. Additional financing for phase two is estimated at EUR 45.6 million, subject to confirmation and commitment by both IFAD and relevant GoT authorities, including the Undersecretariat of Treasury and Ministry of Development. The financing gap may be partially sourced by subsequent IFAD lending cycles (according to the performance based allocation system) under financing terms to be determined and subject to internal procedures and subsequent IFAD Executive Board approval. In addition, co-financing opportunities will be identified during implementation.

571. Costs have been estimated on the basis of prices prevailing during programme design in May 2017.

572. **Physical and price contingencies.** A physical contingency of 5% has been applied to civil works to take into account the uncertainty on the exact implementation quantities while price contingencies have been applied on all costs, with the exception of credit lines.

573. **Inflation.** Consumer price inflation has remained stubbornly high in Turkey, as a weaker lira has, for the most part, offset the disinflationary effects of plunging global oil prices since mid-2014. The Economist Intelligence Unit (EIU) foresees further currency weakness and a partial recovery in oil and other commodity prices from 2017. Following an expected tightening of the monetary policy by the central bank, inflation would gradually ease, achieving the 5% target by end-2021<sup>104</sup>. For the purpose of this analysis, annual local inflation rates have been set at 6% in 2018 with a gradual decrease to 5% reached in 2021. For foreign inflation, an average inflation of 1.8% has been retained.<sup>105</sup>

574. **Exchange rate.** The Turkish lira has been highly volatile and generally on a depreciating path against all major currencies since September 2016.<sup>106</sup> In 2018-21, the EIU forecasts that the exchange rate will remain broadly stable in real terms, depreciating sharply against the US dollar and euro. However, all exchange-rate forecasts are to be considered carefully due to the great uncertainty about the outlook for global financial flows, and the impact on investor confidence of domestic political instability and geopolitical turmoil in the region surrounding Turkey. For the purpose of this analysis and average exchange rate of TL 4: €1 has been applied.

575. **Taxes and duties.** Part of the Government contribution will be the exemptions from taxes and duties on all programme inputs that involve funding from IFAD loans. The estimate of taxes and duties was based on the rates in effect prevailing at the time of the design. In conformity with the principle

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<sup>102</sup> Phase two will commence subject to satisfactory disbursement rate in phase one, recommendations in the supervision mission reports, and, critically, explicit recommendation hereof in the mid-term review. In addition, at least 50% of the planned MSPs should be established and functional. Consequently, it will not be automatic and obviously also subject to IFAD's and GoT's ability to mobilise necessary finance.

<sup>103</sup> Total project cost subject to EUR exchange rate fluctuations

<sup>104</sup> The Economist Intelligence Unit. Turkey Country Report, May 2017.

<sup>105</sup> Ibid.

<sup>106</sup> Ibid.

that no taxes or duties will be financed out of the proceeds of the IFAD loan/grant, any future changes in tax legislation will have to apply to the programme.

576. The items to be imported for the programme attract import and excise duties of varying proportions, and a value-added tax (VAT) of 18% is levied on all imported goods.

### Programme costs

577. The total programme costs including physical and price contingencies are estimated at EUR 98.1million over 8 years implementation period. Programme costs by components are summarized in Table 1, while a complete set of programme summary tables and detailed costs tables are presented in Attachments 1 and 2 of this annex.

578. **Programme costs by components.** Programme investments are organized in three main components: (i) Promotion of upland economic development clusters (85.5% per cent of the costs); (ii) Increased utilization of financial services (8.5% of the costs); and (iii) Programme management (6 per cent of the costs). A summary breakdown of the programme costs by components is shown below.

**Table 34: Programme costs by component**

Turkey Upland Rural Development Programme Project Components by Year -- Totals Including Contingencies (EUR '000)									
Totals Including Contingencies									
	2018	2019	2020	2021	2022	2023	2024	2025	Total
1. Promotion of Upland Economic Development Clusters	2 778	10 011	12 499	11 622	14 306	19 515	11 581	1 597	83 907
2. Increased Utilization of Financial Services	572	2 203	849	1 088	1 284	1 047	747	545	8 335
3. Project management	805	667	676	808	699	702	714	829	5 900
<b>Total PROJECT COSTS</b>	<b>4 155</b>	<b>12 880</b>	<b>14 024</b>	<b>13 519</b>	<b>16 288</b>	<b>21 264</b>	<b>13 042</b>	<b>2 971</b>	<b>98 142</b>

579. **Programme financing.** The total programme costs of EUR 98.1 million will be financed by the first PBAS IFAD loan of EUR 35.2 million<sup>107</sup> and, subject to availability and agreement with the GoT, by a second PBAS IFAD loan of approximately EUR 32.9 million. IFAD's contribution to URDP will also be in the form of a EUR 0.91 million grant to be mainly spent on knowledge management and South-South cooperation activities. The government contribution will be approximately EUR 15.7 million for the two phases and beneficiaries' contributions is estimated at 10.9 million<sup>108</sup>. The establishment of the RCGF will be co-financed – with EUR 2.5 million - by KGF's own sources. The proposed financing plan is summarized in Table 33: Programme financing below.

580. The Government co-financing of the programme will be in: (i) seconding the programme coordinator as well as staff at provincial and regional level to support programme implementation, (ii) construction of 250 km of roads, (iii) waiving of all taxes and duties on goods and services procured under the programme. The rates and amounts of the taxes and duties in the programme's costs presented below are defined only to determine the Government contribution and to value the total programme cost.

<sup>107</sup> Amount subject to EUR/USD exchange rate fluctuation.

<sup>108</sup> Mainly contribution to cluster investment partnerships (CIP).



**Table 33: Programme financing**

Turkey Upland Rural Development Programme Components by Financiers (EUR '000)														
	The Government		IFAD Loan 1		Beneficiaries		IFAD GRANT		IFAD LOAN 2		KGF		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Promotion of Upland Economic Development Clusters	15 110	18.0	29 532	35.2	10 940	13.0	361	0.4	27 964	33.3	-	-	83 907	85.5
2. Increased Utilization of Financial Services	83	1.0	2 508	30.1	-	-	270	3.2	2 974	35.7	2 500	30.0	8 335	8.5
3. Project management	508	8.6	3 112	52.7	-	-	270	4.6	2 010	34.1	-	-	5 900	6.0
<b>Total PROJECT COSTS</b>	<b>15 702</b>	<b>16.0</b>	<b>35 152</b>	<b>35.8</b>	<b>10 940</b>	<b>11.1</b>	<b>901</b>	<b>0.9</b>	<b>32 948</b>	<b>33.6</b>	<b>2 500</b>	<b>2.5</b>	<b>98 142</b>	<b>100.0</b>

581. **Expenditure and disbursement accounts.** The programme will be rolled out through the Central Programme Management Unit - which will manage and coordinate the flow of funds and the expenditures incurred on account of the programme activities. Financial management and procurement procedures are described in Appendices 7 and 8. A summary of the total costs by expenditure accounts per year is shown in table 34 and a summary of the total costs by disbursement accounts and financier is presented in table 35.

**Table 34: Expenditure accounts by financier**

Turkey Upland Rural Development Programme Expenditure Accounts by Financiers (EUR '000)														
	The Government		IFAD Loan 1		Beneficiaries		IFAD GRANT		IFAD LOAN 2		KGF		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>I. Investment Costs</b>														
A. Consultancies /a	1 106	15.5	2 711	37.9	-	-	901	12.6	2 431	34.0	-	-	7 149	7.3
B. Goods, Services, Equipment /b	716	18.0	2 363	59.4	-	-	-	-	899	22.6	-	-	3 979	4.1
C. Grant & Subsidies	0	-	15 289	36.7	10 940	26.3	-	-	15 406	37.0	-	-	41 635	42.4
D. Trainings and Workshops /c	1 809	18.0	4 229	42.1	-	-	-	-	4 014	39.9	-	-	10 052	10.2
E. Works	6 541	37.6	5 391	31.0	-	-	-	-	5 440	31.3	-	-	17 372	17.7
F. Credit, guarantee fund /d	-	-	2 220	29.6	-	-	-	-	2 779	37.1	2 500	33.3	7 499	7.6
<b>Total Investment Costs</b>	<b>10 172</b>	<b>11.6</b>	<b>32 203</b>	<b>36.7</b>	<b>10 940</b>	<b>12.5</b>	<b>901</b>	<b>1.0</b>	<b>30 970</b>	<b>35.3</b>	<b>2 500</b>	<b>2.9</b>	<b>87 686</b>	<b>89.3</b>
<b>II. Recurrent Costs</b>														
A. Salaries & Allowances	5 305	57.6	2 362	25.6	-	-	-	-	1 546	16.8	-	-	9 213	9.4
B. Operating Costs	224	18.0	587	47.2	-	-	-	-	432	34.8	-	-	1 243	1.3
<b>Total Recurrent Costs</b>	<b>5 529</b>	<b>52.9</b>	<b>2 949</b>	<b>28.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 979</b>	<b>18.9</b>	<b>-</b>	<b>-</b>	<b>10 457</b>	<b>10.7</b>
<b>Total PROJECT COSTS</b>	<b>15 702</b>	<b>16.0</b>	<b>35 152</b>	<b>35.8</b>	<b>10 940</b>	<b>11.1</b>	<b>901</b>	<b>0.9</b>	<b>32 948</b>	<b>33.6</b>	<b>2 500</b>	<b>2.5</b>	<b>98 142</b>	<b>100.0</b>

<sup>a</sup> Including studies and technical assistance

<sup>b</sup> This category includes goods, services, equipment & materials

<sup>c</sup> It includes meetings

<sup>d</sup> Financial instruments

**Table 35: Disbursement accounts by financier**

Turkey Upland Rural Development Programme Disbursement Accounts by Financiers (EUR '000)														
	The Government		IFAD Loan 1		Beneficiaries		IFAD GRANT		IFAD LOAN 2		KGF		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Consultancies_DA	1 106	15.5	2 711	37.9	-	-	901	12.6	2 431	34.0	-	-	7 149	7.3
2. Goods, Services, Equipment_DA /a	716	18.0	2 363	59.4	-	-	-	-	899	22.6	-	-	3 979	4.1
3. GRANT_DA	0	-	15 289	36.7	10 940	26.3	-	-	15 406	37.0	-	-	41 635	42.4
4. Workshops_DA	1 809	18.0	4 229	42.1	-	-	-	-	4 014	39.9	-	-	10 052	10.2
5. Works_DA	6 541	37.6	5 391	31.0	-	-	-	-	5 440	31.3	-	-	17 372	17.7
6. Salaries and Allowances_DA	5 305	57.6	2 362	25.6	-	-	-	-	1 546	16.8	-	-	9 213	9.4
7. Operating Costs_DA	224	18.0	587	47.2	-	-	-	-	432	34.8	-	-	1 243	1.3
8. Credit, Guarantee Funds_DA	-	-	2 220	29.6	-	-	-	-	2 779	37.1	2 500	33.3	7 499	7.6
<b>Total PROJECT COSTS</b>	<b>15 702</b>	<b>16.0</b>	<b>35 152</b>	<b>35.8</b>	<b>10 940</b>	<b>11.1</b>	<b>901</b>	<b>0.9</b>	<b>32 948</b>	<b>33.6</b>	<b>2 500</b>	<b>2.5</b>	<b>98 142</b>	<b>100.0</b>

<sup>a</sup> This category includes goods, services, equipment & material

**Attachment 9.1: Summary cost and financing tables (EUR)**

Table	Description
1	Components by Financier
2	Expenditure Accounts by Financier
3	Expenditure Accounts by Components - Base Costs
4	Expenditure Accounts by Components - Totals Including Contingencies
5	Components Programme Cost Summary
6	Expenditure Accounts Programme Cost Summary
7	Programme Components by Year -- Base Costs
8	Programme Components by Year -- Totals Including Contingencies
9	Expenditure Accounts by Years -- Base Costs
10	Expenditure Accounts by Years -- Totals Including Contingencies
11	Disbursement Accounts by Financiers
12	Disbursements by Semesters and Government Cash Flow

Turkey  
Upland Rural Development Programme  
**Components by Financiers**  
(EUR '000)

	The Government		IFAD Loan 1		Beneficiaries		IFAD GRANT		IFAD LOAN 2		KGF		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Promotion of Upland Economic Development Clusters	15 110	18.0	29 532	35.2	10 940	13.0	361	0.4	27 964	33.3	-	-	83 907	85.5
2. Increased Utilization of Financial Services	83	1.0	2 508	30.1	-	-	270	3.2	2 974	35.7	2 500	30.0	8 335	8.5
3. Project management	508	8.6	3 112	52.7	-	-	270	4.6	2 010	34.1	-	-	5 900	6.0
<b>Total PROJECT COSTS</b>	<b>15 702</b>	<b>16.0</b>	<b>35 152</b>	<b>35.8</b>	<b>10 940</b>	<b>11.1</b>	<b>901</b>	<b>0.9</b>	<b>32 948</b>	<b>33.6</b>	<b>2 500</b>	<b>2.5</b>	<b>98 142</b>	<b>100.0</b>

Turkey  
Upland Rural Development Programme  
**Expenditure Accounts by Financiers**  
(EUR '000)

	The Government		IFAD Loan 1		Beneficiaries		IFAD GRANT		IFAD LOAN 2		KGF		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>I. Investment Costs</b>														
A. Consultancies /a	1 106	15.5	2 711	37.9	-	-	901	12.6	2 431	34.0	-	-	7 149	7.3
B. Goods, Services, Equipment /b	716	18.0	2 363	59.4	-	-	-	-	899	22.6	-	-	3 979	4.1
C. Grant & Subsidies	0	-	15 289	36.7	10 940	26.3	-	-	15 406	37.0	-	-	41 635	42.4
D. Trainings and Workshops /c	1 809	18.0	4 229	42.1	-	-	-	-	4 014	39.9	-	-	10 052	10.2
E. Works	6 541	37.6	5 391	31.0	-	-	-	-	5 440	31.3	-	-	17 372	17.7
F. Credit, guarantee fund /d	-	-	2 220	29.6	-	-	-	-	2 779	37.1	2 500	33.3	7 499	7.6
<b>Total Investment Costs</b>	<b>10 172</b>	<b>11.6</b>	<b>32 203</b>	<b>36.7</b>	<b>10 940</b>	<b>12.5</b>	<b>901</b>	<b>1.0</b>	<b>30 970</b>	<b>35.3</b>	<b>2 500</b>	<b>2.9</b>	<b>87 686</b>	<b>89.3</b>
<b>II. Recurrent Costs</b>														
A. Salaries & Allowances	5 305	57.6	2 362	25.6	-	-	-	-	1 546	16.8	-	-	9 213	9.4
B. Operating Costs	224	18.0	587	47.2	-	-	-	-	432	34.8	-	-	1 243	1.3
<b>Total Recurrent Costs</b>	<b>5 529</b>	<b>52.9</b>	<b>2 949</b>	<b>28.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 979</b>	<b>18.9</b>	<b>-</b>	<b>-</b>	<b>10 457</b>	<b>10.7</b>
<b>Total PROJECT COSTS</b>	<b>15 702</b>	<b>16.0</b>	<b>35 152</b>	<b>35.8</b>	<b>10 940</b>	<b>11.1</b>	<b>901</b>	<b>0.9</b>	<b>32 948</b>	<b>33.6</b>	<b>2 500</b>	<b>2.5</b>	<b>98 142</b>	<b>100.0</b>

\a Including studies and technical assistance

\b This category includes goods, services, equipment & materials

\c It includes meetings

\d Financial instruments

Turkey  
Upland Rural Development Programme  
**Expenditure Accounts by Components - Base Costs**  
(EUR '000)

	Promotion of Upland Economic Development Clusters	Increased Utilization of Financial Services	Project management	Total	Physical Contingencies	
					%	Amount
<b>I. Investment Costs</b>						
A. Consultancies /a	5 809	370	558	6 737	-	1
B. Goods, Services, Equipment /b	3 206	-	561	3 768	-	-
C. Grant & Subsidies	41 300	-	-	41 300	-	-
D. Trainings and Workshops /c	8 833	441	137	9 410	-	-
E. Works	15 500	-	-	15 500	5.0	775
F. Credit, guarantee fund /d	-	7 499	-	7 499	-	-
<b>Total Investment Costs</b>	<b>74 648</b>	<b>8 310</b>	<b>1 257</b>	<b>84 214</b>	<b>0.9</b>	<b>776</b>
<b>II. Recurrent Costs</b>						
A. Salaries & Allowances	4 713	-	3 860	8 572	-	-
B. Operating Costs	759	-	400	1 159	-	-
<b>Total Recurrent Costs</b>	<b>5 472</b>	<b>-</b>	<b>4 260</b>	<b>9 732</b>	<b>-</b>	<b>-</b>
<b>Total BASELINE COSTS</b>	<b>80 120</b>	<b>8 310</b>	<b>5 516</b>	<b>93 946</b>	<b>0.8</b>	<b>776</b>
Physical Contingencies	775	-	1	776	-	-
<b>Price Contingencies</b>						
<b>Inflation</b>						
Local	7 168	83	1 069	8 320	-	-
Foreign	670	-	30	700	-	-
<b>Subtotal Inflation</b>	<b>7 837</b>	<b>83</b>	<b>1 099</b>	<b>9 019</b>	<b>-</b>	<b>-</b>
Devaluation	-4 825	-58	-716	-5 599	-	-
Subtotal Price Contingencies	3 012	25	383	3 420	1.5	52
<b>Total PROJECT COSTS</b>	<b>83 907</b>	<b>8 335</b>	<b>5 900</b>	<b>98 142</b>	<b>0.8</b>	<b>829</b>
Taxes	13 257	83	266	13 607	1.1	149
Foreign Exchange	11 075	135	646	11 856	3.5	414

/a Including studies and technical assistance

/b This category includes goods, services, equipment & materials

/c It includes meetings

/d Financial instruments

Turkey  
Upland Rural Development Programme  
**Expenditure Accounts by Components - Totals Including Contingencies**  
(EUR '000)

	<b>Promotion of Upland Economic Development Clusters</b>	<b>Increased Utilization of Financial Services</b>	<b>Project management</b>	<b>Total</b>
<b>I. Investment Costs</b>				
A. Consultancies /a	6 193	372	583	7 149
B. Goods, Services, Equipment /b	3 388	-	591	3 979
C. Grant & Subsidies	41 635	-	-	41 635
D. Trainings and Workshops /c	9 442	464	146	10 052
E. Works	17 372	-	-	17 372
F. Credit, guarantee fund /d	-	7 499	-	7 499
<b>Total Investment Costs</b>	<b>78 031</b>	<b>8 335</b>	<b>1 320</b>	<b>87 686</b>
<b>II. Recurrent Costs</b>				
A. Salaries & Allow ances	5 064	-	4 149	9 213
B. Operating Costs	812	-	431	1 243
<b>Total Recurrent Costs</b>	<b>5 876</b>	<b>-</b>	<b>4 580</b>	<b>10 457</b>
<b>Total PROJECT COSTS</b>	<b>83 907</b>	<b>8 335</b>	<b>5 900</b>	<b>98 142</b>
Taxes	13 257	83	266	13 607
Foreign Exchange	11 075	135	646	11 856

/a Including studies and technical assistance

/b This category includes goods, services, equipment & materials

/c It includes meetings

/d Financial instruments

Turkey  
Upland Rural Development Programme  
**Components Project Cost Summary**

	(Local '000)					(EUR '000)				
	Local	Foreign	Total	%	% Total	Local	Foreign	Total	%	% Total
				Foreign Exchange	Base Costs				Foreign Exchange	Base Costs
1. Promotion of Upland Economic Development Clusters	287 421	41 072	328 492	13	85	70 103	10 018	80 120	13	85
2. Increased Utilization of Financial Services	33 516	554	34 070	2	9	8 175	135	8 310	2	9
3. Project management	20 092	2 525	22 616	11	6	4 900	616	5 516	11	6
<b>Total BASELINE COSTS</b>	<b>341 028</b>	<b>44 150</b>	<b>385 179</b>	<b>11</b>	<b>100</b>	<b>83 178</b>	<b>10 768</b>	<b>93 946</b>	<b>11</b>	<b>100</b>
Physical Contingencies	1 594	1 589	3 183	50	1	389	388	776	50	1
Price Contingencies	35 525	9 309	44 834	21	12	2 720	700	3 420	20	4
<b>Total PROJECT COSTS</b>	<b>378 148</b>	<b>55 048</b>	<b>433 196</b>	<b>13</b>	<b>112</b>	<b>86 287</b>	<b>11 856</b>	<b>98 142</b>	<b>12</b>	<b>104</b>

Turkey  
Upland Rural Development Programme  
**Expenditure Accounts Project Cost Summary**

	(Local '000)					(EUR '000)				
	Local	Foreign	Total	%	% Total	Local	Foreign	Total	%	% Total
				Foreign Exchange	Base Costs				Foreign Exchange	Base Costs
<b>I. Investment Costs</b>										
A. Consultancies /a	25 347	2 275	27 622	8	7	6 182	555	6 737	8	7
B. Goods, Services, Equipment /b	7 724	7 724	15 447	50	4	1 884	1 884	3 768	50	4
C. Grant & Subsidies	169 330	-	169 330	-	44	41 300	-	41 300	-	44
D. Trainings and Workshops /c	38 583	-	38 583	-	10	9 410	-	9 410	-	10
E. Works	31 775	31 775	63 550	50	16	7 750	7 750	15 500	50	16
F. Credit, guarantee fund /d	30 746	-	30 746	-	8	7 499	-	7 499	-	8
<b>Total Investment Costs</b>	<b>303 504</b>	<b>41 774</b>	<b>345 278</b>	<b>12</b>	<b>90</b>	<b>74 025</b>	<b>10 189</b>	<b>84 214</b>	<b>12</b>	<b>90</b>
<b>II. Recurrent Costs</b>										
A. Salaries & Allow ances	35 147	-	35 147	-	9	8 572	-	8 572	-	9
B. Operating Costs	2 377	2 377	4 754	50	1	580	580	1 159	50	1
<b>Total Recurrent Costs</b>	<b>37 524</b>	<b>2 377</b>	<b>39 901</b>	<b>6</b>	<b>10</b>	<b>9 152</b>	<b>580</b>	<b>9 732</b>	<b>6</b>	<b>10</b>
<b>Total BASELINE COSTS</b>	<b>341 028</b>	<b>44 150</b>	<b>385 179</b>	<b>11</b>	<b>100</b>	<b>83 178</b>	<b>10 768</b>	<b>93 946</b>	<b>11</b>	<b>100</b>
Physical Contingencies	1 594	1 589	3 183	50	1	389	388	776	50	1
Price Contingencies	35 525	9 309	44 834	21	12	2 720	700	3 420	20	4
<b>Total PROJECT COSTS</b>	<b>378 148</b>	<b>55 048</b>	<b>433 196</b>	<b>13</b>	<b>112</b>	<b>86 287</b>	<b>11 856</b>	<b>98 142</b>	<b>12</b>	<b>104</b>

\a Including studies and technical assistance

\b This category includes goods, services, equipment & materials

\c It includes meetings

\d Financial instruments

Turkey  
Upland Rural Development Programme  
**Project Components by Year -- Base Costs**  
(EUR '000)

	<b>Base Cost</b>								
	2018	2019	2020	2021	2022	2023	2024	2025	Total
1. Promotion of Upland Economic Development Clusters	2 749	9 725	12 018	11 126	13 483	18 374	11 244	1 401	80 120
2. Increased Utilization of Financial Services	572	2 198	846	1 081	1 275	1 046	747	545	8 310
3. Project management	796	649	649	764	649	640	640	729	5 516
<b>Total BASELINE COSTS</b>	<b>4 117</b>	<b>12 573</b>	<b>13 512</b>	<b>12 971</b>	<b>15 407</b>	<b>20 060</b>	<b>12 631</b>	<b>2 675</b>	<b>93 946</b>
Physical Contingencies	-	125	178	95	170	208	-	-	776
<b>Price Contingencies</b>									
<b>Inflation</b>									
Local	87	441	801	1 163	1 655	2 207	1 166	800	8 320
Foreign	7	43	92	94	175	252	21	16	700
<b>Subtotal Inflation</b>	<b>94</b>	<b>484</b>	<b>893</b>	<b>1 257</b>	<b>1 830</b>	<b>2 459</b>	<b>1 187</b>	<b>816</b>	<b>9 019</b>
Devaluation	-56	-302	-559	-805	-1 119	-1 462	-776	-520	-5 599
Subtotal Price Contingencies	38	182	334	452	711	996	411	296	3 420
<b>Total PROJECT COSTS</b>	<b>4 155</b>	<b>12 880</b>	<b>14 024</b>	<b>13 519</b>	<b>16 288</b>	<b>21 264</b>	<b>13 042</b>	<b>2 971</b>	<b>98 142</b>
Taxes	459	1 626	2 039	1 924	2 370	3 213	1 777	199	13 607
Foreign Exchange	630	1 662	2 291	1 682	2 372	2 768	258	192	11 856

Turkey  
Upland Rural Development Programme  
**Project Components by Year -- Totals Including Contingencies**  
(EUR '000)

	<b>Totals Including Contingencies</b>								
	2018	2019	2020	2021	2022	2023	2024	2025	Total
1. Promotion of Upland Economic Development Clusters	2 778	10 011	12 499	11 622	14 306	19 515	11 581	1 597	83 907
2. Increased Utilization of Financial Services	572	2 203	849	1 088	1 284	1 047	747	545	8 335
3. Project management	805	667	676	808	699	702	714	829	5 900
<b>Total PROJECT COSTS</b>	<b>4 155</b>	<b>12 880</b>	<b>14 024</b>	<b>13 519</b>	<b>16 288</b>	<b>21 264</b>	<b>13 042</b>	<b>2 971</b>	<b>98 142</b>

Turkey  
Upland Rural Development Programme  
**Expenditure Accounts by Years -- Base Costs**  
(EUR '000)

	Base Cost								Foreign Exchange		
	2018	2019	2020	2021	2022	2023	2024	2025	Total	%	Amount
<b>I. Investment Costs</b>											
A. Consultancies /a	708	873	910	1 066	718	1 215	709	537	6 737	8.2	555
B. Goods, Services, Equipment /b	1 057	286	338	836	529	408	217	95	3 768	50.0	1 884
C. Grant & Subsidies	-	4 422	5 644	5 139	6 196	10 432	9 468	-	41 300	-	-
D. Trainings and Workshops /c	673	1 271	1 122	1 856	2 186	1 644	325	333	9 410	-	-
E. Works	-	2 490	3 550	1 900	3 400	4 160	-	-	15 500	50.0	7 750
F. Credit, guarantee fund /d	500	2 000	719	933	1 136	997	708	506	7 499	-	-
<b>Total Investment Costs</b>	<b>2 939</b>	<b>11 343</b>	<b>12 283</b>	<b>11 729</b>	<b>14 165</b>	<b>18 856</b>	<b>11 427</b>	<b>1 471</b>	<b>84 214</b>	<b>12.1</b>	<b>10 189</b>
<b>II. Recurrent Costs</b>											
A. Salaries & Allowances	1 041	1 076	1 076	1 076	1 076	1 076	1 076	1 076	8 572	-	-
B. Operating Costs	137	153	153	166	166	128	128	128	1 159	50.0	580
<b>Total Recurrent Costs</b>	<b>1 178</b>	<b>1 229</b>	<b>1 229</b>	<b>1 242</b>	<b>1 242</b>	<b>1 204</b>	<b>1 204</b>	<b>1 204</b>	<b>9 732</b>	<b>6.0</b>	<b>580</b>
<b>Total BASELINE COSTS</b>	<b>4 117</b>	<b>12 573</b>	<b>13 512</b>	<b>12 971</b>	<b>15 407</b>	<b>20 060</b>	<b>12 631</b>	<b>2 675</b>	<b>93 946</b>	<b>11.5</b>	<b>10 768</b>
Physical Contingencies	-	125	178	95	170	208	-	-	776	49.9	388
<b>Price Contingencies</b>											
<b>Inflation</b>											
Local	87	441	801	1 163	1 655	2 207	1 166	800	8 320	-	-
Foreign	7	43	92	94	175	252	21	16	700	100.0	700
<b>Subtotal Inflation</b>	<b>94</b>	<b>484</b>	<b>893</b>	<b>1 257</b>	<b>1 830</b>	<b>2 459</b>	<b>1 187</b>	<b>816</b>	<b>9 019</b>	<b>7.8</b>	<b>700</b>
Devaluation	-56	-302	-559	-805	-1 119	-1 462	-776	-520	-5 599	-	-
Subtotal Price Contingencies	38	182	334	452	711	996	411	296	3 420	20.5	700
<b>Total PROJECT COSTS</b>	<b>4 155</b>	<b>12 880</b>	<b>14 024</b>	<b>13 519</b>	<b>16 288</b>	<b>21 264</b>	<b>13 042</b>	<b>2 971</b>	<b>98 142</b>	<b>12.1</b>	<b>11 856</b>
Taxes	459	1 626	2 039	1 924	2 370	3 213	1 777	199	13 607	-	-
Foreign Exchange	630	1 662	2 291	1 682	2 372	2 768	258	192	11 856	-	-

\a Including studies and technical assistance

\b This category includes goods, services, equipment & materials

\c It includes meetings

\d Financial instruments



Turkey  
Upland Rural Development Programme  
**Expenditure Accounts by Years -- Totals Including Contingencies**  
(EUR '000)

	<b>Totals Including Contingencies</b>								
	2018	2019	2020	2021	2022	2023	2024	2025	Total
<b>I. Investment Costs</b>									
A. Consultancies /a	716	895	944	1 124	767	1 327	781	596	7 149
B. Goods, Services, Equipment /b	1 068	294	353	888	573	450	244	109	3 979
C. Grant & Subsidies	-	4 434	5 667	5 166	6 241	10 535	9 592	-	41 635
D. Trainings and Workshops /c	680	1 306	1 171	1 971	2 365	1 812	365	381	10 052
E. Works	-	2 687	3 888	2 118	3 863	4 816	-	-	17 372
F. Credit, guarantee fund /d	500	2 000	719	933	1 136	997	708	506	7 499
<b>Total Investment Costs</b>	<b>2 964</b>	<b>11 617</b>	<b>12 742</b>	<b>12 200</b>	<b>14 944</b>	<b>19 937</b>	<b>11 689</b>	<b>1 592</b>	<b>87 686</b>
<b>II. Recurrent Costs</b>									
A. Salaries & Allow ances	1 052	1 106	1 122	1 142	1 164	1 186	1 209	1 232	9 213
B. Operating Costs	139	157	160	176	180	141	144	146	1 243
<b>Total Recurrent Costs</b>	<b>1 190</b>	<b>1 263</b>	<b>1 282</b>	<b>1 319</b>	<b>1 344</b>	<b>1 327</b>	<b>1 353</b>	<b>1 378</b>	<b>10 457</b>
<b>Total PROJECT COSTS</b>	<b>4 155</b>	<b>12 880</b>	<b>14 024</b>	<b>13 519</b>	<b>16 288</b>	<b>21 264</b>	<b>13 042</b>	<b>2 971</b>	<b>98 142</b>

/a Including studies and technical assistance

/b This category includes goods, services, equipment & materials

/c It includes meetings

/d Financial instruments

Turkey  
Upland Rural Development Programme  
**Disbursement Accounts by Financiers**  
(EUR '000)

	The Government		IFAD Loan 1		Beneficiaries		IFAD GRANT		IFAD LOAN 2		KGF		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Consultancies_DA	1 106	15.5	2 711	37.9	-	-	901	12.6	2 431	34.0	-	-	7 149	7.3
2. Goods, Services, Equipment_DA /a	716	18.0	2 363	59.4	-	-	-	-	899	22.6	-	-	3 979	4.1
3. GRANT_DA	0	-	15 289	36.7	10 940	26.3	-	-	15 406	37.0	-	-	41 635	42.4
4. Workshops_DA	1 809	18.0	4 229	42.1	-	-	-	-	4 014	39.9	-	-	10 052	10.2
5. Works_DA	6 541	37.6	5 391	31.0	-	-	-	-	5 440	31.3	-	-	17 372	17.7
6. Salaries and Allowances_DA	5 305	57.6	2 362	25.6	-	-	-	-	1 546	16.8	-	-	9 213	9.4
7. Operating Costs_DA	224	18.0	587	47.2	-	-	-	-	432	34.8	-	-	1 243	1.3
8. Credit, Guarantee Funds_DA	-	-	2 220	29.6	-	-	-	-	2 779	37.1	2 500	33.3	7 499	7.6
<b>Total PROJECT COSTS</b>	<b>15 702</b>	<b>16.0</b>	<b>35 152</b>	<b>35.8</b>	<b>10 940</b>	<b>11.1</b>	<b>901</b>	<b>0.9</b>	<b>32 948</b>	<b>33.6</b>	<b>2 500</b>	<b>2.5</b>	<b>98 142</b>	<b>100.0</b>

/a This category includes goods, services, equipment & material

Turkey  
Upland Rural Development Programme  
**Disbursements by Semesters and Government Cash Flow**  
(EUR '000)

	Financing Available						Costs to be Financed		
	IFAD Loan 1	Beneficiaries	IFAD GRANT	IFAD LOAN 2	KGF	Total	Project Costs	The Government Cash Flow	Cumulative Cash Flow
	Amount	Amount	Amount	Amount	Amount	Amount	Costs	Cash Flow	Cash Flow
1	1 286	-	-	-	250	1 536	2 077	-542	-542
2	1 286	-	-	-	250	1 536	2 077	-542	-1 083
3	3 828	570	64	-	1 000	5 462	6 440	-978	-2 061
4	3 828	570	64	-	1 000	5 462	6 440	-978	-3 040
5	4 990	728	64	-	-	5 782	7 012	-1 230	-4 269
6	4 990	728	64	-	-	5 782	7 012	-1 230	-5 499
7	4 353	681	64	442	-	5 539	6 759	-1 220	-6 719
8	4 353	681	64	442	-	5 539	6 759	-1 220	-7 939
9	3 119	819	64	2 776	-	6 779	8 144	-1 365	-9 304
10	3 119	819	64	2 776	-	6 779	8 144	-1 365	-10 669
11	-	1 402	64	7 575	-	9 041	10 632	-1 591	-12 259
12	-	1 402	64	7 575	-	9 041	10 632	-1 591	-13 850
13	-	1 270	64	4 713	-	6 048	6 521	-473	-14 323
14	-	1 270	64	4 713	-	6 048	6 521	-473	-14 796
15	-	-	64	968	-	1 033	1 485	-453	-15 249
16	-	-	64	968	-	1 033	1 485	-453	-15 702
<b>Total</b>	<b>35 152</b>	<b>10 940</b>	<b>901</b>	<b>32 948</b>	<b>2 500</b>	<b>82 441</b>	<b>98 142</b>	<b>-15 702</b>	<b>-15 702</b>

### **Attachment 9.2: Detailed Programme costs (EUR)**

Table	Description
1	Promotion of Upland Economic Development Clusters
2	Increased Utilisation of Financial Services
3	Programme Management



Republic of Turkey  
Uplands Rural Development Programme  
Detailed design report  
Final project design report  
Appendix 9: URDP cost and financing

Turkey

Upland Rural Development Programme

Table 1. Promotion of Upland Economic Development Clusters

Detailed Costs

	Unit	Quantities										Unit Cost (EUR)	Totals including Contingencies (EUR '000)										Summary Divisions		Fin. Rule
		2018	2019	2020	2021	2022	2023	2024	2025	2026	Total		2018	2019	2020	2021	2022	2023	2024	2025	Total	Expenditure Account	Total		
<b>I. Investment Costs</b>																									
<b>A. Cluster facilitation activities</b>																									
1. Local expenses for MSP members meetings /a	per cluster	18	40	40	80	80	62	40	40	400	6,835	124	281	285	581	592	467	307	313	2,950	TRAININGS	LOAN_1 ( 100% FOR 3, 50% FOR 2, 0% FOR 3 ), LOAN_2 ( 0% FOR 3, 50% FOR 2, 100% FOR 3 )			
2. Fair/festival, farmers exchanges, national study tour	per year	2	2	2	2	2	2	2	2	16	28,861	58	59	60	61	62	64	65	66	496	GS&EM	LOAN_1 ( 100% FOR 5, 0% FOR 3 ), LOAN_2 ( 0% FOR 5, 100% FOR 3 )			
<b>Subtotal</b>												183	340	345	642	654	531	372	379	3,446					
<b>B. Cluster supporting infrastructure</b>																									
1. Privately shared economic infrastructures /b	per cluster	-	18	22	-	20	20	-	-	80	25,000	-	450	550	-	500	500	-	-	2,000	GRANT	LOAN_1 ( 75% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 75% FOR 4 ), BENEF ( < 25% FOR 8 >, FT)			
2. Public economic infrastructures /c	per cluster	-	9	11	-	10	10	-	-	40	150,000	-	1,457	1,807	-	1,704	1,737	-	-	6,705	WORKS	LOAN_1 ( 100% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 100% FOR 4 )			
3. Market roads /d	km	-	60	100	100	100	140	-	-	500	19,000	-	1,230	2,081	2,118	2,159	3,080	-	-	10,668	WORKS	LOAN_1 ( 50% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 50% FOR 4 )			
4. Feasibility study for infrastructures /e	lumpsum											133	144	130	133	-	-	-	-	540	CONSULTANCIES	LOAN_1 ( 100% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 100% FOR 4 )			
<b>Subtotal</b>												133	3,281	4,568	2,251	4,363	5,316	-	-	19,912					
<b>C. Farmers mobilization and organization</b>																									
1. Installation training process youth entrepreneurs (on and off farm) /f	person	90	110	90	110	200	200	-	-	800	3,734	340	422	351	436	808	823	-	-	3,180	TRAININGS	LOAN_1 ( 100% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 100% FOR 4 )			
2. Youth trained entrepreneur start-up package /g	person	-	90	110	90	110	200	200	-	800	5,000	-	462	574	478	595	1,103	1,124	-	4,335	GRANT	LOAN_1 ( 100% FOR 5, 0% FOR 3 ), LOAN_2 ( 0% FOR 5, 100% FOR 3 )			
3. Training business plans (including business skills)	person	540	1,200	-	2,400	2,400	-	-	-	6,540	215	117	265	-	548	558	-	-	1,489	TRAININGS	LOAN_1 ( 100% FOR 4, 25%, 0% FOR 3 ), LOAN_2 ( 0% FOR 4, 75%, 100% FOR 3 )				
4. Training /supporting infrastructures' management bodies /h	training	-	45	100	55	60	110	-	-	370	3,734	-	173	389	218	242	453	-	-	1,476	TRAININGS	LOAN_1 ( 100% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 100% FOR 4 )			
5. Demo plots / orchards / farmer school /i	demo plots	-	60	120	180	120	60	-	-	720	2,025	-	125	253	387	394	268	137	-	1,564	GS&EM	LOAN_1 ( 100% FOR 5, 0% FOR 3 ), LOAN_2 ( 0% FOR 5, 100% FOR 3 )			
<b>Subtotal</b>												457	1,447	1,567	2,067	2,598	2,647	1,260	-	12,043					
<b>D. Individual improvement of value chain</b>																									
1. Cluster investment partnership	per person	-	236	303	313	348	616	584	-	2,400	14,500	-	3,422	4,394	4,539	5,046	8,932	8,468	-	34,800	GRANT	LOAN_1 ( 70% FOR 5, 0% FOR 3 ), LOAN_2 ( 0% FOR 5, 70% FOR 3 ), BENEF ( < 30% FOR 8 >, FT)			
2. Pastoral livelihoods improvement	per person	-	20	30	30	20	-	-	-	100	5,000	-	100	150	150	100	-	-	-	500	GRANT	LOAN_1 ( 100% FOR 3, 0% FOR 5 ), LOAN_2 ( 0% FOR 3, 100% FOR 5 )			
<b>Subtotal</b>												-	3,522	4,544	4,689	5,146	8,932	8,468	-	35,300					
<b>E. Transversal expertise</b>																									
<b>1. Regional back-up expertise</b>																									
Midibus /j	vehicle	2	-	-	-	-	-	-	-	2	35,000	71	-	-	-	-	-	-	-	71	GS&EM	LOAN_1 ( 100% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 100% FOR 4 )			
Vehicle /k	vehicle	2	-	-	-	-	-	-	-	2	28,000	57	-	-	-	-	-	-	-	57	GS&EM	LOAN_1 ( 100% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 100% FOR 4 )			
<b>Subtotal</b>												127	-	-	-	-	-	-	-	127					
<b>2. Provincial support teams</b>																									
ToT farmers support team /l	team	6	6	6	8	8	8	8	8	58	30,000	182	185	188	255	260	265	270	275	1,878	CONSULTANCIES	LOAN_1 ( 100% FOR 5, 0% FOR 3 ), LOAN_2 ( 0% FOR 5, 100% FOR 3 )			
Vehicle /m	vehicle	18	-	-	6	-	-	-	-	24	28,000	509	-	-	178	-	-	-	-	688	GS&EM	LOAN_1 ( 100% FOR 3, 0% FOR 5 ), LOAN_2 ( 0% FOR 3, 100% FOR 5 )			
Minibus /n	vehicle	5	-	-	2	-	-	-	-	7	30,000	152	-	-	64	-	-	-	-	215	GS&EM	LOAN_1 ( 100% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 100% FOR 4 )			
<b>Subtotal</b>												643	185	188	497	260	265	270	275	2,781					
<b>3. Sector Development Facility</b>																									
Quality control	study	2	2	2	2	2	2	2	2	16	12,658	26	26	26	27	27	28	28	29	218	CONSULTANCIES	LOAN_1 ( 100% FOR 5, 0% FOR 3 ), LOAN_2 ( 0% FOR 5, 100% FOR 3 )			
Geographical indication /o	study	-	-	6	7	-	20	-	-	33	25,316	-	-	158	188	-	558	-	-	805	CONSULTANCIES	LOAN_1 ( 100% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 100% FOR 4 )			
Studies /p	study	18	22	18	22	20	20	20	-	140	12,658	230	286	238	296	274	279	284	-	1,887	CONSULTANCIES	LOAN_1 ( 100% FOR 3, 0% FOR 5 ), LOAN_2 ( 0% FOR 3, 100% FOR 5 )			
Updated professional training	training	8	8	8	8	8	8	8	8	64	5,063	41	42	42	43	44	45	46	46	348	TRAININGS	LOAN_1 ( 100% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 100% FOR 4 )			
International study tour	study tour	-	1	-	1	1	1	-	-	4	69,620	-	72	-	74	75	77	-	-	298	GS&EM	LOAN_1 ( 100% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 100% FOR 4 )			
<b>Subtotal</b>												297	425	465	628	420	987	358	75	3,655					
<b>4. Technical Assistance</b>																									
Technical assistance /q	person/month	40	48	48	48	48	48	48	48	376	1,000	40	49	50	51	52	53	54	55	405	CONSULTANCIES	LOAN_1 ( 100% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 100% FOR 4 )			
<b>Subtotal</b>												1,307	660	703	1,176	732	1,304	682	405	6,968					
<b>F. Knowledge management</b>																									
1. Knowledge management South - South	per year											-	52	52	52	52	52	52	52	361	CONSULTANCIES	GRANT_ ( 100% )			
<b>Total Investment Costs</b>												2,080	9,301	11,779	10,876	13,545	18,782	10,834	836	78,031					

la 1 meeting per month per cluster. Unit cost provided is an annual unit cost per cluster (based on 45 participants in 12 months)

lb Eg for Milk collection and cold storage or for fruit cold storage

lc This includes the cost of vegetable/animal semi-wholesale market and irrigation schemes per cluster (demand-driven)

ld Roads construction will be demand-driven

le Feasibility studies to be conducted based on the demand for infrastructures. Total cost for feasibility studies is about 3% of the amount allocated to infrastructures.

lf Each youth with tailored exposure and mentoring

lg 100% grant for young entrepreneurs w/h attended the installation training. Each youth with tailored exposure and mentoring

lh Each infra with a management body

li 2 units per cluster

lj One midibus (26 seats) per region

lk 1 per region

lm Teams of 3 people (market/management, social, tech). It includes facilitation multistakeholder platform + support costs

ln 3 per province

lo Minibus with 16 seats. It includes 1 minibus for the PMU in Ankara

lp It includes technical preparation for developing branded products.

lq It includes different technical studies, such as social, economic, environmental etc.

lr It includes youth & social inclusion expert, marketing and infrastructure management expert, animal development expert etc.

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Upland Rural Development Programme  
Table 1. Promotion of Upland Economic Development Clusters  
Detailed Costs

	Unit	Quantities								Unit Cost (EUR)	Totals Including Contingencies (EUR '000)								Summary Divisions			
		2018	2019	2020	2021	2022	2023	2024	2025		Total	2018	2019	2020	2021	2022	2023	2024	2025	Total	Account	Fin. Rule
<b>II. Recurrent Costs</b>																						
<b>A. Transversal expertise support</b>																						
<b>1. Regional back-up expertise</b>																						
Staff salaries and cost (financed by the GoT)	per year	8	8	8	8	8	8	8	8	64	22,658	183	186	189	192	196	200	204	208	1 558	S&A	GOVT
Vehicle operating costs	per vehicle	10	10	10	10	10	10	10	10	80	6,329	64	65	66	67	68	70	71	72	544	OC	LOAN_1 ( 100% FOR 4, 0% FOR 4 ), LOAN_2 ( 0% FOR 4, 100% FOR 4 )
<b>Subtotal</b>												247	251	255	260	265	270	275	280	2 102		
<b>2. Provincial support teams</b>																						
Staff salaries and costs (financed by the GoT) /r	person/year	18	18	18	18	18	18	18	18	144	22,658	412	419	425	433	441	450	458	467	3 506	S&A	GOVT
Vehicle operating costs	per vehicle	6	6	6	8	8	2	2	2	40	6,329	38	39	40	54	55	14	14	14	268	OC	LOAN_1 ( 100% FOR 3, 75% FOR 2, 0% FOR 3), LOAN_2 ( 0% FOR 3, 25% FOR 2, 100% FOR 3 )
<b>Subtotal</b>												450	458	465	487	496	464	472	481	3 774		
<b>Total Recurrent Costs</b>												698	709	720	747	761	733	747	761	5 876		
<b>Total</b>												2 778	10 011	12 499	11 622	14 306	19 515	11 581	1 597	83 907		

v GoT Contribution

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Table 2. Increased utilization of financial services  
Detailed Costs

Unit	Quantities								Total	Unit Cost (EUR)	Totals Including Contingencies (EUR '000)								Summary Divisions		Other A
	2018	2019	2020	2021	2022	2023	2024	2025			2018	2019	2020	2021	2022	2023	2024	2025	Total	Expenditure Account	
<b>I. Investment Costs</b>																					
<b>A. Rural credit guarantee facility</b>																					
1. Policy engagement for the establishment of the KGF	lumpsum								81	1,798	22	33	17	38	31	12	-	-	153	CONSULTANCIES	LOAN_1 ( 100% )
2. Rural credit guarantee facility	lumpsum								500	2,000	719	933	1,136	997	708	506	7,499	CREDIT	LOAN_1 ( 0% FOR 2, 100% FOR 2, 50%, 0% FOR 3 ), LOAN_2 ( 0% FOR 4, 50%, 100% FOR 3 ), KGF ( 100% FOR 2, 0% FOR 6)		
<b>Subtotal</b>									551	2,051	719	933	1,136	997	708	506	7,601				
<b>B. Rural credit support facility</b>																					
Financial Literacy Training for Farmers & FO /a	training	12	18	9	20	16	6	-	-	81	1,798	22	33	17	38	31	12	-	153	TRAININGS	LOAN_1 ( 100% FOR 3, 0% FOR 5 ), LOAN_2 ( 0% FOR 3, 100% FOR 5 )
Clusters public awareness /b	event	-	40	40	40	40	-	-	-	160	1,798	-	74	76	78	-	-	-	303	TRAININGS	LOAN_1 ( 100% FOR 3, 0% FOR 5 ), LOAN_2 ( 0% FOR 3, 100% FOR 5 )
Project information meetings with banks	meeting	-	6	-	2	-	-	-	-	8	900	-	6	-	2	-	-	-	7	TRAININGS	LOAN_1 ( 100% FOR 3, 0% FOR 5 ), LOAN_2 ( 0% FOR 3, 100% FOR 5 )
<b>Subtotal</b>									22	113	92	116	109	12	-	-	464				
<b>C. Knowledge management</b>																					
Knowledge management South - South	per year								-	39	39	39	39	39	39	39	270	CONSULTANCIES	GRANT_ ( 100% )		
<b>Total</b>									572	2,203	849	1,088	1,284	1,047	747	545	8,335				

<sup>a</sup> 40 people are expected to participate to the training  
<sup>b</sup> Necessary materials (such as leaflets, guidelines, video etc.)

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Table 3. Project Management  
Detailed Costs

Detailed Costs	Unit	Quantities										Unit Cost (EUR)	Totals Including Contingencies (EUR '000)										Summary Divisions		Fin. Rule																				
		2018	2019	2020	2021	2022	2023	2024	2025	Total	2018		2019	2020	2021	2022	2023	2024	2025	Total	Account	Expenditure																							
<b>I. Investment Costs</b>																						<b>A. Equipment and goods</b>																							
1. Printer & Photocopier	set	43	-	-	24	-	-	-	-	67	1,400	61	-	-	36	-	-	-	-	97	GS&EM	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
2. Computer (hardware & software)	computer	85	-	-	32	-	-	-	-	117	1,405	121	-	-	48	-	-	-	-	168	GS&EM	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
3. Accounting software	software	1	-	-	-	-	-	-	-	1	30,000	30	-	-	-	-	-	-	-	30	GS&EM	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
4. Other office equipment	lumpsum	1	-	-	-	-	-	-	-	1	10,000	10	-	-	-	-	-	-	-	10	GS&EM	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
<b>Subtotal</b>													222	-	-	83	-	-	-	305																									
<b>B. Studies</b>																																													
1. Baseline survey	survey	1	-	-	-	-	-	-	-	1	53,000	54	-	-	-	-	-	-	-	54	CONSULTANCIES	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
2. Mid term review	survey	-	-	-	1	-	-	-	-	1	34,000	-	-	-	36	-	-	-	-	36	CONSULTANCIES	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
3. Impact assessment	survey	-	-	-	-	-	-	-	-	1	50,000	-	-	-	-	-	-	-	57	CONSULTANCIES	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																								
4. Completion review	survey	-	-	-	-	-	-	-	-	1	45,000	-	-	-	-	-	-	-	52	CONSULTANCIES	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																								
5. Annual outcome surveys / M&E data collection	survey	-	1	1	-	1	1	1	-	5	14,000	-	15	15	-	15	15	16	-	77	CONSULTANCIES	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
6. Training needs assessment	training	1	-	-	-	-	-	-	-	1	20,000	20	-	-	-	-	-	-	-	20	TRAININGS	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
7. Miscellaneous studies	study	-	1	1	1	1	-	-	-	4	9,000	-	9	9	10	10	-	-	-	38	CONSULTANCIES	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
<b>Subtotal</b>													74	24	25	46	25	15	16	109	333																								
<b>C. Trainings and workshops</b>																																													
1. Start-up workshop Ankara /a	workshop	1	-	-	1	-	-	-	-	2	10,000	10	-	-	11	-	-	-	-	21	TRAININGS	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
2. Start-up workshop (for provinces) /b	workshop	2	-	-	2	-	-	-	-	4	3,000	6	-	-	6	-	-	-	-	12	TRAININGS	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
3. Planning Workshops (Ankara)	workshop	-	2	2	2	2	2	2	2	14	3,000	-	6	6	6	6	7	7	7	46	TRAININGS	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
4. Annual review workshops /c	workshop	-	1	1	1	1	1	1	1	7	5,000	-	5	5	5	5	6	6	6	38	TRAININGS	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
5. Completion workshops (Ankara)	workshop	-	-	-	-	-	-	-	-	1	8,000	-	-	-	-	-	-	-	9	9	TRAININGS	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
6. Participation international events	per year	-	2	2	2	2	2	2	2	14	18,800	-	39	39	40	41	41	42	43	285	GS&EM	LOAN_1 (100% FOR 4, 0% FOR 4), LOAN_2 (0% FOR 4, 100% FOR 4)																							
<b>Subtotal</b>													16	50	51	69	53	54	55	65	411																								
<b>D. Knowledge management</b>																																													
1. Knowledge management South - South	per year												-	39	39	39	39	39	39	39	270	CONSULTANCIES	GRANT_ (100%)																						
<b>Total Investment Costs</b>													312	113	114	236	116	108	109	212	1 320																								
<b>II. Recurrent Costs</b>																																													
<b>A. PMU Salaries</b>																																													
1. Project coordinator	person/month	12	12	12	12	12	12	12	12	96	2,340	28	29	29	30	30	31	32	32	241	S&A	GOVT																							
2. Senior project advisor	person/month	12	12	12	12	12	12	12	12	96	1,950	24	24	24	25	25	26	26	27	201	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
3. Regional administrators	person/month	24	24	24	24	24	24	24	24	192	1,950	47	48	49	50	51	52	53	54	402	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
4. Rural finance targeting specialist - RPCU Adana	person/month	6	12	12	12	12	12	12	12	90	1,950	12	24	24	25	25	26	26	27	189	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
5. Rural finance targeting specialist - RPCU Kastamonu	person/month	6	12	12	12	12	12	12	12	90	1,950	12	24	24	25	25	26	26	27	189	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
6. Rural finance targeting specialist - Ankara	person/month	6	12	12	12	12	12	12	12	90	1,950	12	24	24	25	25	26	26	27	189	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
7. Field coordinators	person/month	72	72	72	72	72	72	72	72	576	1,560	113	115	117	119	122	124	126	129	966	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
8. Knowledge management and communication expert	person/month	12	12	12	12	12	12	12	12	96	1,560	19	19	20	20	20	21	21	21	161	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
9. Procurement specialist	person/month	12	12	12	12	12	12	12	12	96	1,560	19	19	20	20	20	21	21	21	161	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
10. Fiduciary officers	person/month	24	24	24	24	24	24	24	24	192	1,170	28	29	29	30	30	31	32	32	241	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
11. Finance manager	person/month	12	12	12	12	12	12	12	12	96	1,560	19	19	20	20	20	21	21	21	161	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
12. Accountant	person/month	12	12	12	12	12	12	12	12	96	1,270	15	16	16	16	16	17	17	17	131	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
13. Monitoring & evaluation specialist	person/month	12	12	12	12	12	12	12	12	96	1,560	19	19	20	20	20	21	21	21	161	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
14. Monitoring & evaluation assistants	person/month	24	24	24	24	24	24	24	24	192	1,400	34	35	35	36	36	37	38	38	289	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
15. Secretary / translator	person/month	12	12	12	12	12	12	12	12	96	1,400	17	17	18	18	18	19	19	19	144	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
16. Civil works engineers	person/month	24	24	24	24	24	24	24	24	192	1,560	38	38	39	40	41	41	42	43	322	S&A	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
<b>Subtotal</b>													456	500	508	517	527	537	547	557	4 149																								
<b>B. Travel &amp; operating costs</b>																																													
1. Travel costs	trips	20	30	30	30	30	30	30	30	230	200	4	6	6	6	6	7	7	7	50	OC	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
2. Travel allowances	trips	20	30	30	30	30	30	30	30	230	1,400	28	43	44	45	45	46	47	48	347	OC	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
3. Other operating costs	per year	1	1	1	1	1	1	1	1	8	4,000	4	4	4	4	4	4	4	5	34	OC	LOAN_1 (100% FOR 5, 0% FOR 3), LOAN_2 (0% FOR 5, 100% FOR 3)																							
<b>Subtotal</b>													36	53	54	55	56	57	58	60	431																								
<b>Total Recurrent Costs</b>													493	554	562	572	583	594	605	617	4 580																								
<b>Total</b>													805	667	676	808	699	702	714	829	5 900																								

la The second start-up workshop is for the two additional provinces  
lb Hold at regional level  
lc Learning event and knowledge sharing



## Appendix 10: Economic and Financial Analysis

582. A financial and economic analysis was undertaken to assess the financial and economic impacts of the programme on farmers, rural entrepreneurs and on the society as a whole. Benefits are expected to derive from (i) promoting the expansions of competitive clusters for a portfolio of products where smallholders may have a comparative advantage, (ii) investing in specific crops, and livestock that give high returns to smallholders as well as to other actors along the value chains; (iii) providing households with business skills; (iv) improving access to market infrastructures, and (v) improving access to financial services for both smallholders and small medium enterprises (SMEs). In order to represent the programme financial benefits, 17 financial models have been prepared. The financial models have also been used as building blocks for the economic analysis.

583. **Number of beneficiaries.**<sup>109</sup> URDP's two phases are expected to benefit about 60,000 households, or 294,000 beneficiaries. The overall project approach is based on the establishment of approximately 80 clusters, each including 750 households on average. Programme's beneficiaries are divided into three main categories: (1) economically active poor HHs, (2) economically active with upsides HHs, and (iii) transformation drivers<sup>110</sup>. The majority of beneficiaries will benefit from component 1's activities, such as improved management and production trainings, value chain and business trainings, cluster investment partnerships, and infrastructures' construction/rehabilitation. Approximately 6,800 households and 80 clusters' transformation drivers are expected to access cluster investment partnerships and loans<sup>111</sup>. More precisely, out of 6,800 households, 2,400 will have access to cluster investment partnerships. The below table tentatively represents the number of beneficiaries' phasing-in by year. Considering URDP's territorial approach, the same beneficiaries are expected to benefit from multiple project activities. For the specific project activities represented in the economic analysis, a beneficiaries' adoption rate of 70% has been adopted (please see economic analysis section at the end of this appendix).

### Financial Analysis

584. The primary objective of the financial analysis is to determine the financial viability and incentives of the target group for engaging in the project activities, by examining the impact of project interventions on family labour, cash flow and net incomes. Based on field visits, the project feasibility study's results,<sup>112</sup> market study carried out during the final design mission, national statistics, and on expected project activities, a number of indicative financial models were identified during the programme design process. 17 illustrative financial models were prepared to demonstrate the financial viability of the investments: (i) 8 crop and activity models – strawberry, walnut, cherry, grape, maize silage, tomato, beekeeping, and goats for meat and dairy; (ii) 6 household models – 3 economically active poor HH models and 3 economically active with upside HH models; (iii) two cooperative models representing the investment in a milk cooling facility and fruit cold storage; and (iv) a road model. The cash-flow analysis is finally carried out to present the “with” and “without” project (WOWOP) analysis. The HHs, road and cooperative models form the building blocks for the economic analysis.

585. **Key assumptions.** The following information gathered during the design missions has been used to set up the analyses: (i) interviews with potential beneficiaries, (ii) interviews with public and private local service providers, (iii) mission experts' estimates, (iii) national statistics. In particular, information on labour and input requirements for various operations, capital costs, prevailing wages, yields, farm gate and market prices of commodities, and transport costs were collected. Conservative assumptions were made both for inputs and outputs in order to take account of possible risks. Key assumptions are as follows:

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<sup>109</sup> Estimates to be reviewed and finalized during final design mission inception.

<sup>110</sup> Larger farmers, agribusinesses, cooperatives etc.

<sup>111</sup> 50% grant for individual investments and 75% grant for group investments

<sup>112</sup> Feasibility study was submitted to the Government of Turkey in April 2017.

- **Exchange rate.** The exchange rate used in the analysis is fixed at USD 1 = TRY 3.5 or EUR 1 = TRY 4.
- **Prices.** The financial prices for programme inputs and products were collected in the field by the design team. Prices used represent estimates of the average seasonal prices and the analysis is carried out using constant prices. The prices are chosen based on the first compiled set of data.
- **Labour.** Family labour has been valued both in financial and economic analysis. It has been assumed that both family labour and hired unskilled labour are priced at TRY 65 per day, which is the prevailing market rate in rural areas.
- **Opportunity cost of capital.** A discount rate of 12% has been used in this analysis to assess the viability and robustness of the proposed investments. The selected value is calculated by taking into account actual market interest rates on loans.<sup>113</sup>

586. **Crop models.** Crop models are indicative and have been developed to show the profitability of switching from traditional rainfed crops, such as wheat<sup>114</sup>, to crops with high potential in the project area, such as to orchards or vegetables. All crop models are developed on 1 ha of land and are used as basis for the household models. A summary table showing the crop profitability and a brief description of the assumptions behind each model are hereafter presented.

587. **Walnut model.** This models assumes that 1 ha of wheat cultivation is replaced with the establishment of an orchard, in this case walnut. The investment, TRY 42,000, is represented by the orchard establishment, including a drip irrigation system. The model shows that after the first five years, the investment becomes profitable and the net income can go up to approximately TRY 22,000 per ha/year.

588. **Cherry model.** This models assumes that 1 ha of wheat cultivation is replaced with the establishment of a cherry orchard. The investment is represented by the orchard establishment, including a drip irrigation system – TRY 53,000. The model shows that after the first five years, the investment becomes profitable and the net income can go up to approximately TRY 53,000 per ha/year.

589. **Grape model.** This models assumes that 1 ha of wheat cultivation is replaced with grape. The investment is represented by the orchard establishment, including a drip irrigation system – TRY 80,000. The model shows the investment becomes profitable from the third year onward. The net income can go up to approximately TRY 30,000 per ha/year.

590. **Tomato in greenhouse/plastic tube.** This model assumes that 1 ha of wheat is replaced with 1 ha of vegetables cultivated in greenhouse/plastic tube (TRY 400,000 for the establishment of 1 ha of plastic tube/greenhouse)<sup>115</sup>. The vegetable cultivated is assumed to be tomato. The net income can go up to 140,000 TL/ha/year. However, as it will be shown in the household model, targeted households are expected to afford only up to 0.2 ha of plastic tube given the high cost of investment.

591.

592. **Strawberry in greenhouse/plastic tube.** This model is based on the same assumptions of the tomato greenhouse model. It has been developed to show that targeted households are not only interested in vegetables but also in berries production. The net income from berries in a greenhouse/plastic tube per ha/year can reach up to TRY 100,000.

593. **Livestock/goat model.** A 50 heads goat model is developed. This model presents a situation WP intervention and a situation WOP intervention. The number of heads is assumed to remain at 50 heads in both scenarios. Goats are for dairy and meat production. The WOP assumes that the calves and part of milk are sold<sup>116</sup> and there is no cheese production. In the WP scenario, through project

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<sup>113</sup> Economist Intelligence Unit, Turkey Country Report, May 2017

<sup>114</sup> Net income TRY 2,071 per ha per year.

<sup>115</sup> Including drip irrigation.

<sup>116</sup> 200 LTs of milk per year are assumed to be for self-consumption.

technical assistance and support in investments like a watering pond and milking machines, goats' production parameters are expected to improve<sup>117</sup> and cheese production is introduced, generating a significant source of income. The total investment in this case is TRY 46,000 and the net income is expected to reach up to TRY 38,000.

594. **Beekeeping model.** Bee hives are mainly owned by economically active households with up-sides. This model is based on 100 hives and it considered the replacement of the current hives with modern ones that include pollen traps. The investment is about TRY 50,000 and, considering the low production costs, the net income can reach up to TRY 105,000 per year.

595. **Maize silage.** This model assumes that 1 ha of wheat is replaced with 1 ha of maize to produce maize silage which is usually used to feed animals. The investment in this case is only in drip irrigation and the net income per year is approximately TRY 6,000 per ha.

**Table 35: Summary results of crops and activity models**

596. **Household models.** As previously stated, households models are mainly developed on the basis of crop and activity models and seek to be representative for the main targeted beneficiaries: economically active poor households and economically active upside households. Each model described below presents a WP and WOP scenario. Following the rehabilitation/construction of irrigation schemes/ponds at cluster level<sup>118</sup>, the following models assume that beneficiaries will benefit from improved access to water and therefore, when needed, they will be able to install a drip irrigation system in their own land. A summary of the models' profitability indicators is presented in Table 36 below. Each model includes a financing analysis showing that beneficiaries are expected to finance the investments through cluster investment partnerships<sup>119</sup> and/or loans, the access to which is facilitated by the rural finance component of the project.

597. **Economically active poor HHs model – mixed activity.** The WOP assumes that the HH earns less than TRY 2,000 per month and owns 0.5 ha of land, cultivated with a traditional crop like wheat, and 5 cows. The model also assumes that the HHs' income partly derives from working in the forest at 65 TRY per day<sup>120</sup>. With project intervention, through access to technical assistance, trainings as well as to cluster investment partnerships and rural finance services, the household can invest on cultivating vegetables and on replacing the current cattle with improved ones. The total investment shown in the model is TRY 60,000 and it accounts for 0.1 ha of plastic tube/greenhouse and cost of 5 cattle heads. The WP scenario also assumes that 0.4 ha of land will be cultivated with maize to produce maize silage. The increase in income is mainly due to the fact that the household can sell vegetables and that cattle are more productive and therefore additional milk can be sold. The WP scenario considers that part of vegetables and milk are used for self-consumption. In this case, the financing analysis assumes that the household will pay the investment through a loan.

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<sup>117</sup> For goats, mortality rate can decrease from 5% to 2% and milk per day increases from 1 to 1.1 LT per day.

<sup>118</sup> No beneficiaries' contribution envisaged in this case.

<sup>119</sup> 70% CIP contribution for individual investments and 75% CIP contribution for group investments.

<sup>120</sup> This amount is kept constant in the WP and WOP scenarios.

598. **Economically active poor HHs model – cattle.** This model assumes that the HH's main activity is cattle. The source of income is both from selling meat and milk. The main investment in this model is in a barn and milking machines. It is assumed that the investment is partly paid by a loan and partly paid through the cluster investment partnerships. Thanks to project support, the HH will not only be able to access financial services but also trainings and technical assistance, which will contribute to enhance animal parameters and increase the number of cattle during the years. Both the WOP and WP scenarios consider that milk is also used for self-consumption.

599. **Economically active poor HHs model – grape.** The WOP assumes that the HH earns less than TRY 2,000 per month and owns 0.5 ha of land, cultivated with a traditional crop like wheat. The model also assumes that the HHs' income partly derives from working in the forest at 65 TRY per day<sup>121</sup>. With project intervention, through access to technical assistance, trainings as well as to cluster investment partnerships and rural finance services, the household can invest on a grape orchard, which will bear fruits already from the second year. The total investment shown in the model is TRY 40,000.

600. **Economically active with upsides model - orchard and bee hives.** The WOP assumes that the HH earns above TRY 2,000 per month and owns 1 ha of land, cultivated with a traditional crop like wheat, and 100 beehives. With project intervention, through access to technical assistance, trainings as well as to cluster investment partnerships and rural finance services, the household is assumed to use the 1 ha of land to establish a walnut orchard<sup>122</sup>. In addition, the model assumes that modern hives with pollen trap could partly replace the existing one so to increase honey production and include pollen as a source of income. The total investment in this case is approximately 55,000 TRY. The financing analysis assumes that the investment is financed partly by a loan and partly by the cluster investment partnerships.

601. **Economically active with upsides model – goats and vegetables.** The WOP assumes that the HH earns above TRY 2,000 per month and owns 1 ha of land, cultivated with a traditional crop like wheat, and 50 goats for milk and meat. With project intervention, through access to technical assistance, trainings as well as to cluster investment partnerships and rural finance services, the HH is assumed to replace 0.2 ha of wheat with vegetables cultivated in greenhouse/plastic tube. In addition, the model assumes that the HH will also invest in watering ponds for goats and milking machines. The total investment in this case is about 126,000 TRY. The financing analysis of this model assumes that the investment is entirely financed by a loan, as not all beneficiaries will be able to access cluster investment partnerships<sup>123</sup>.

602. **Economically active with upsides model – cherry orchard.** The WOP assumes that the HH earns above TRY 2,000 per month from on and off-farm activities. On-farm activity is mainly represented by wheat cultivation. With project intervention, through access to technical assistance, trainings as well as to cluster investment partnerships and rural finance services, it is assumed that the HH will replace wheat by investing in a cherry orchard (1 ha). The total investment in this case is approximately 55,000 TL. The financing analysis assumes that the investment is financed partly by a loan and partly by the cluster investment partnerships.

HHs and cooperative models	Net income WOP (TRY)	Net income WP year 7 (TRY)	NPV @ 12% (TRY)	B/C	IRR
Economically active poor HHs _mixed	18 276	41 315	46 108	1.4	33%
Economically active poor HHs _cattle	21 864	51 782	4 611	1.0	13%
Economically active with upside potential	31 071	116 431	330 083	2.6	39%
Economically active with upside potential	27 421	67 804	73 493	1.5	30%
Cooperative model milking facility	21 000	73 000	122 845	3.0	35%
Cooperative model fruit cold storage facility	15 000	124 050	320 996	2.0	59%

**Table 36: Summary results of households and cooperative/FOs' models**

603. **Farmers' organizations/cooperatives models.** These two models represent the kind of investments that farmers' organizations (FOs), large farmers, or cooperatives could undertake with URDP support. The first model shows the investment in a milk cooling facility. Thanks to this investment, benefits will be for both the cooperative and farmers. On one hand, by transferring milk to the cold chain, farmers will be paid a higher price by the cooperative. On the other hand, the cooperative will also be able to sell cold milk at a higher price than warm milk to large milk processors. The total investment in this case is TRY 150,000. The second model represents the investment in a fruit cold storage, where farmers can store their fruits and therefore sell it out of season for a higher price. At the end of each model, a financing analysis is carried out to show that FOs are expected to finance the investment through the cluster investment partnerships that they may receive from the project as well as from access to financial services.

604. **Road model.** The main benefits of this model are assumed to derive from increased volume of transported agricultural products for sale and reduced operation and maintenance costs of vehicles. URDP assumes that all project's beneficiaries will benefit from roads. However, for the purpose of this analysis and considering that roads construction will be a demand-driven activity, 18,000 households are estimated to benefit directly from increased volume of transported products and reduced operation and maintenance costs of vehicles<sup>124</sup>. The IRR of this model is calculated at 33% and the NPV, discounted at 12%, is TRY 56 million.

605. In brief, the financial analysis of all proposed models shows acceptable results and suggests project activities are worthwhile to undertake.

## **Economic Analysis**

606. The objectives of the economic analysis are: i) to examine the overall programme viability; ii) to assess the programme's impact and overall economic rate of return; and iii) to perform sensitivity analyses to assess the benefits from a broad welfare perspective.

607. **Key assumptions.** The physical inputs and productions established in the financial analysis provided the basis to determine the viability of the project investment in terms of opportunity costs and quantifiable benefits to the economy as a whole. The estimate of the likely economic returns from project interventions are based on the following assumptions:

346. Project life has been assumed at 20 years; Project inputs and outputs traded are valued at their respective economic prices, and goods are expected to move freely within the project area in response to market demand;

608. The social discount rate adopted for this analysis is 10% and it has been chosen by taking into account the average deposit interest rate in Turkey<sup>125</sup> (11%), the average lending interest rate (12.9%), the Wall Street Journal interest rate (3.5%), and 10 years governments bonds (currently at 10.5%).

609. Economic prices have been calculated for main outputs and inputs<sup>126</sup>, starting from CIF or FOB prices. Average conversion factors (CF) of 0.91 and 0.98 have been applied to convert respectively outputs and inputs' financial prices to economic prices.

610. **Programme economic costs and benefits.** The economic analysis includes the investment and incremental recurrent costs of the project components. The project financial costs have been converted to economic values by removal of price contingencies, tax and duties. In order to avoid

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<sup>124</sup> This analysis assumes that the 500 km of roads will be constructed in 50% of the clusters and will directly benefit 60% of the total number of households per cluster.

<sup>125</sup> Economist Intelligence Unit, Turkey Country Report, May 2017.

<sup>126</sup> Or for similar outputs inputs, depending on the availability of CIF and FOB prices.

double counting, the final aggregation considered only those costs that were not included in the financial models.

611. **Benefits Estimation.** The incremental benefits stream comprises the economic net values of households and cooperative models. These benefits are then aggregated by the number of households and farmers' organizations/cooperatives that are estimated to uptake each activity. The analysis conservatively considers an adoption rate of 70%<sup>127</sup>. Roads' incremental economic benefits are also

	Assumptions	Related Risk	NPV EUR	EIRR
<b>Programme base case</b>			98 798 730	22%
<b>Decrease in programme benefits</b>	-20%	Reduced no. of beneficiaries if only one phase is implemented (-50% benefits). Market/price fluctuations.	72 823 182	20%
	-30%	Delays of trainings. Beneficiaries do not access loans as expected.	59 835 408	19%
	-50%	Proper use of skills acquired in trainings	33 859 860	17%
<b>Increase in programme Costs</b>	20%	Market/price fluctuations (changes in market demands). Procurement risks.	92 582 928	21%
	30%		89 475 027	20%
	50%		83 259 225	19%
<b>Delays in programme implementation</b>	1 year	Delays in having the Project approved by all parties. Any other unforeseeable event.	70 797 679	20%
	3 years		36 868 027	16%

considered in the final economic aggregation.

**Table 37: Households and cooperative/FOs phasing in**

612. **Economic Pricing.** Economic pricing has been based on the following assumptions:

- The opportunity cost of labour is set at 58 TRY/day, or 89.9% of financial cost of labour, which is justified given rural unemployment rate at 11.1%<sup>128</sup>
- The shadow exchange rate (SER) has been calculated at 1 USD = TR 3.9;
- The Shadow Exchange Ratio Factor (SERF), used to obtain economic costs, has been calculated at 1.1.

613. **Economic Rate of Return.** The overall economic internal rate of return (EIRR) of the programme is estimated at 22% for the base case. The net present value (NPV) of the net benefit stream, discounted at 10%, is USD 98.8 million

614. **Sensitivity Analysis.** In order to test the robustness of the above results, a sensitivity analysis has been carried out; the outcomes of which are presented in table 10. The sensitivity analysis investigates the effect of fluctuations in programme costs, programme benefits, and delays in implementation on the NPV and ERR. It shows the economic impacts that a decrease in programme benefits – up to -50% – will have on the programme viability. Similarly, it shows how the economic viability of the programme will be affected by an increase of up to 50% in programme costs; and by a one to three-year delay in programme implementation. The analysis confirms that the economic viability of the programme remains attractive as a positive NPV and ERR above 10% are preserved in each case analysed.

**Table 38: Sensitivity analysis**

<sup>127</sup> Households' accessing cluster investment partnerships and loans.

<sup>128</sup> <http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=21570>

## Attachment 10.1: List of prices

Prices used in livestock/activity budgets (TRY)			
Item	Unit	Financial	Economic
<b>Outputs:</b>			
Walnut	kg	20.00	18.2
Wheat	kg	0.93	0.85
Tomato	kg	1.30	1.2
Strawberry	kg	3.00	2.7
Maize- Silage	kg	0.13	0.1
Cherry	kg	7.6	6.9
Grape	kg	2	1.97
<b>Bee-keeping</b>			
Honey	kg	80.00	72.9
Polen	kg	100.00	91.2
<b>Goat Breeding</b>			
Female goat	Head	700	638.1
Male goat	Head	1 150	1 048.3
Milk	Lt	0.85	0.77
Cheese	Kg	20	18.2
<b>Inputs</b>			
<b>Investment Costs</b>			
Greenhouse/Plastic tunnels (including drip irrigation)	per Ha	400 000	393 400
Walnut orchard development	per Ha	27 270	26 820
Watering ponds	Unit	40 000	39 340
Milking machine	Unit	2 000	1 967
Milk cooling center	Tank	150 000	147 525
Cooling storage	Unit	120 000	118 020
Hives with polen trap & other equipment - Beekeeping	100 Hives	50 000	49 175
<b>Operating inputs</b>			
Seed Cost - Wheat	per ha	280	275
Fertilizer Costs - Wheat	per ha	548	514
Pesticides Costs (including seed pesticides)-Wheat	per ha	26	26
Irrigation (Electricity, Water fee)-Wheat	per ha	370	370
Harvesting and marketing expenses-Wheat	per ha	1 125	1 106
Fertilize Costs (Walnut)	per ha	548	551
Pesticides Costs (including seed pesticides) (Walnut)	per ha	358	360
Irrigation (Electricity, Water fee) (Walnut)	per ha	148	148
Harvesting and marketing expenses (Walnut)	per ha	2 815	2 769
Seed Cost (Tomato)	per ha	4 952	4 870
Fertilizer Costs (Tomato)	per ha	5 282	5 283
Pesticides Costs (including seed pesticides) (Tomato)	per ha	7 250	7 130
Irrigation (Electricity, Water fee) (Tomato)	per ha	513	513
Harvesting and marketing expenses (Tomato)	per ha	3 200	3 147
Seed Cost (Strawberry)	per ha	8 434	7 688
Fertilize Costs (Strawberry)	per ha	5 376	5 408
Pesticides Costs (including seed pesticides) (Strawberry)	per ha	2 957	2 974
Irrigation (Electricity, Water fee) (Strawberry)	per ha	5 882	5 882
Harvesting and marketing expenses (Strawberry)	per ha	5 381	5 292
Seed Cost -Maize Silage	per ha	449	441.4
Fertilizer Costs-Maize Silage	per ha	1 048	984.2
Pesticides Costs (including seed pesticides)-Maize Silage	per ha	178	174.8
Irrigation Cost (Diesel, electricity and water)-Maize Silage	per ha	400	400.0
Harvesting and marketing expenses-Maize Silage	per ha	1 200	1 180
Feeding in barns - Goat breeding (50 heads)	Per month	1 800	1 770
Feeding at pasture land -Goat breeding (50 heads)	Per month	80	79
Other costs - Goat breeding (50 heads)	Per month	4 000	3 934
Operating expenses - Beekeeping (100 Hives)	Per year	350	344
Warm Milk Buying price	TRY/Lt	0.70	0.69
Warm Milk Selling price	TRY/Lt	0.95	0.87
Cold Chain Buying price	TRY/Lt	0.90	0.89
Cold Chain Selling price	TRY/Lt	1.22	1.11
Transportation	TRY/Km	0.10	0.09
Electricity water, maintenance etc (milk storage center)	TRY/Year	15 000	15 000
Electricity	TRY/m3	25.0	25.0
Materials, fuel, maintenance etc..	TRY/m3	5.0	4.9
<b>Labour</b>			
Labour Costs	TRY/Day	65.0	57.8





## Appendix 11: Draft Programme implementation manual

The draft programme implementation manual is found in a separate working paper to ensure brevity of the PDR. It will be further update and detailed later 2017 and adjusted during the inception period. Only the table of content of the PIM is reproduced here below.

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- 5. GENDER, YOUTH AND SOCIAL INCLUSION SPECIALIST
- 6. RURAL FINANCE TARGETING SPECIALIST
- 7. AGRIBUSINESS AND MARKET OFFICER

8. SOCIAL MOBILISATION OFFICER

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## Appendix 12: Compliance with IFAD policies

347. This Appendix contains the URDP compliance with IFAD policies.

### A. Compliance with IFAD Policies

**Table 39: Key policy compliance issues**

Compliance with IFAD's country strategy (aka RB COSOP)	<ul style="list-style-type: none"> <li>The URDP is a direct manifestation of the concept note from the 2016 country strategy, where both the geographical scope and main thrust was outlined.</li> <li>URDP is consequently fully aligned with the two strategic objectives of the CSN, which are: (SO1) Enhance market access for productive, poor smallholder farmers; and (SO2) Mainstream sustainable natural resource management into all aspects of upland agricultural production and increase upland climate change resilience.</li> </ul>
Compliance with the IFAD strategic framework 2016-2015	<ul style="list-style-type: none"> <li>URDP is fully aligned with the IFAD strategic framework 2016-2025 aiming at an enabling inclusive and sustainable rural transformation. Indeed, the project will aim at transforming Turkey's upland smallholders to become commercially competitive and climatically more resilient. This will be accomplished by strengthening the resilience and improving economic opportunities for the rural poor based on competitive farms and agribusinesses that are connected to and integrated into more profitable value chains, making sustainable use of upland Turkey's unique natural resources.</li> <li>Thus, URDP will contribute to all three of the strategic objectives of the 2016-2025 framework, namely: (i) Increase poor rural people's productive capacities; (2) Increase poor rural people's benefits from market participation; and (3) Strengthen environmental sustainability and climate resilience of poor rural people's economic activities.</li> </ul>
Compliance with the IFAD private sector strategy	<ul style="list-style-type: none"> <li>The strategy states that private-sector companies that IFAD will be working with cannot be selected in advance and will depend on the context, opportunities that may arise as implementation goes, and the interest of farmers and the companies themselves. It also underlines that the support or partnership should be driven first and foremost by the interests and needs of small farmers and poor rural producers.</li> <li>In that perspective, several small and medium-sized private sector actors were consulted during URDP design, as well as several farmers already engaged in a commercial partnership with these private actors. Whenever possible and requested by the smallholders themselves, and if a clear win-win situation can be achieved, the URPD will facilitate linkages and contract farming opportunities the private sector. The project will also comply and contribute to the operationalization of the IFAD private sector strategy by involving in project's implementation lead farmers and agro-enterprises who can serve as champions/ models to demonstrate the viability of new approaches to increase rural resilience and provide potential development pathways for the poor.</li> </ul>
Compliance with the IFAD policy on rural enterprises	<ul style="list-style-type: none"> <li>The URDP is compliant with this policy as it intends supporting the development of more formalized agribusiness linkages for smallholders better income generation (through skills trainings, improved connectivity, access to new/rehabilitated productive water supply systems).</li> </ul>
Compliance with the IFAD policy on gender equality and women's empowerment	<ul style="list-style-type: none"> <li>The design is fully in accordance with the targeting policy. The target groups have been profiled and beneficiary groups for proposed project activities identified. the completed targeting checklist is included as an annex to appendix 2.</li> </ul>
Compliance with the IFAD policy on targeting	<ul style="list-style-type: none"> <li>The design is fully in accordance with the gender policy. the specific challenges facing rural women have been identified and opportunities for their economic empowerment, representation and workload reduction identified. The completed gender checklist is included as an annex to Appendix 2.</li> </ul>
Compliance with IFAD scaling-up agenda	<ul style="list-style-type: none"> <li>IFAD will pursue opportunities for scaling up results as a key priority. The development of the market-driven "agricultural products with unique characteristics" approach will be piloted by business groups and individuals. The</li> </ul>

	<p>approach, which will promote inclusiveness, will be underpinned by support to capacity development. This capacity development will be technical, managerial and organizational, and be complemented by investments in storage/cooling facilities (through cluster investment partnerships) and financial inclusion (loans, savings and financial intermediation). Given the limited funding envelope for this project, the approach will be tested in a limited number of thematic clusters in the upland mountainous region, but with build-in capability to replicate and eventually mainstream in national policy and practices. Scaling up will also be achieved by promoting financial partnerships with the private sector, including public, private, producer partnerships (4Ps) that will anchor the approach on a profitable platform ensuring sustainability and inclusiveness simultaneously. Moreover, by engaging local partners from the onset, IFAD will also expand core institutional-organizational spaces that will allow for domestically led and financed scaling up.</p>
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### Compliance of the proposed support to the credit guarantee scheme (KGF)

348. Since the support to the credit guarantee scheme is a new type of engagement for IFAD in Turkey, more details are provided on how this will comply with IFAD policies. This note has been drafted to document the compliance with IFAD rural finance policy in general (from 2009) and specifically with the 'Lessons learned – Loan Guarantee Funds' and the 'How to do – Loan Guarantee Funds' (both 2014).

349. RCGF operates under the auspices of an existing fully operational guarantee fund that has been sustainable for more than 20 years (KGF). With this arrangement RCGF will be professionally and independently managed and operated by specialized staff. It will enjoy existing and well-functioning reporting systems and a risk management mechanism that is compliant with international standards. RCGF's operation will be tightly supervised by the Treasury and the regulatory authorities thus securing its sustainability. The recovery rate of loans guaranteed by KGF has been consistently high with average NPL rate of 4%. The cost of KGF's operation is minimal (0.03%) and is paid by the banks. Leverage on RCGF's guarantees is not excessive thus not giving incentive to banks to reduce equity to assets ratio or to assume excessive risks. Turkish banks are well capitalized and enjoy large and regular inflows of remittances.

350. Nature of the Credit Guarantees<sup>129</sup>: Credit guarantee funds (GCFs) can facilitate access to finance only if they are accepted as a valid substitute for other forms of collateral by formal financial institution. In the past, various types of credit guarantees were used in various countries. However, following the adoption and increasingly wide acceptance of the Basel II Accord, a more uniform approach has been implemented. In essence, in order to be recognized as a valid risk mitigating instrument, a credit guarantee must display certain features. It must be *direct* (represent a direct claim of the lender on the guarantor), *explicit* (address a specific exposure), *unconditional* (its payment is not submitted to conditions that are not under the control of the formal financial institution), *irrevocable* (cannot be cancelled by the guarantor unless the lender has failed to fulfil its obligations), explicitly documented and legally enforceable.

351. In accordance with the Basel II criteria, the existing KGF guarantees and the RCGF is exactly fulfil the features of a standard credit guarantee scheme.

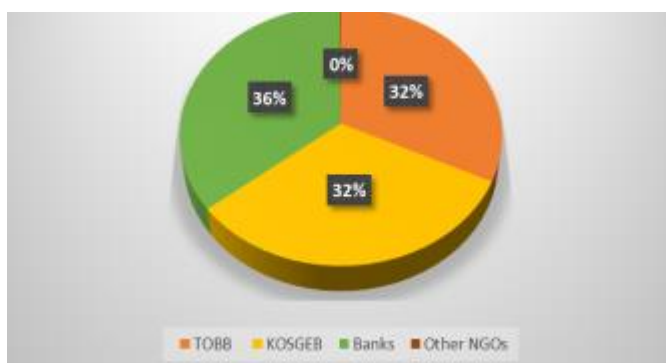
352. **Institutional Features:** Commonly, guarantees constitute diverse and different institutional models. In most countries, CGFs are established on the initiative of governments and managed by ministries or government agencies. In other countries, CGFs are initiated by the business community or as public-private partnerships involving government, the private sector, and/or the banking community ("hybrid schemes").

353. The institutional model of KGF in Turkey is also a model of hybrid ones. In order to ensure a sustainable structure, KGF was established with the common contributions of both public and private sector. [The Union of Chambers and Commodity Exchanges of Turkey](#) (TOBB), which has the share of

<sup>129</sup> Lessons Learned, Loan Guarantee Funds, Inclusive Rural Finance Services, IFAD, pg.2

32.1%, is the highest legal entity in Turkey representing the private sector. TOBB has 365 members in

**Figure 21: Shareholder structure of KGF'**



the form of local chambers of commerce, industry, commerce and industry, maritime commerce and commodity exchanges in Turkey. Besides, the Small and Medium Sized Industry Development Organisation (KOSGEB, a public organisation), which has also 32.1% share, has been established to increase the share and efficiency of small and medium-sized enterprises, to increase their competitiveness and their level, to carry out integration in the industry in accordance with economic developments. On the other hand, 22 private and public banks and 5 participation banks

have a total share of 35.6% in the KGF Capital. This means that 98% of the finance sector are also shareholder of KGF.

354. **Leverage effect:** For any CGF, the level of activity is determined by the ratio between the CGF capital (equity and reserves) and the total amount of guarantees issued. This ratio is normally referred to as the “leverage effect”. The reciprocal of the multiplier is equivalent to the risk adjusted capital ratio (“solvency ratio”) commonly used in the banking business, (i.e. the ratio between the risk-based capital and the risk-weighted assets). In developed countries, CGFs are often able to extend guarantees for a value that is 6 to 7 times greater than their capital but there are several cases of CGFs with multipliers of ten or more<sup>130</sup>. In developing countries, operating conditions are obviously more difficult and it is advisable to adopt low multipliers, with a value of guarantees not greater than 3 to 5 times the value of the capital. The magnitude of leverage is typically one of the aspects supervised by regulatory bodies to prevent possible negative repercussions on the stability of the banking sector.

355. In Turkey, KGF uses two different sources on their activities. One of them is the guarantees provided from its **own equity (individual guarantee)**, the other one is provided from **treasury resources (portfolio guarantee)**. Until 2016 the KGF was utilized only its own equity and the impact on SMEs has been limited. Within this period KGF provided support to a limited number of SMEs for a prolonged period of evaluation and the guarantee support given to the agriculture sector is only 2%.

356. As it is observed from the below mentioned table, during this period when the KGF used its own equity the leverage effect is much smaller than the theoretical ones. Furthermore, it is important to emphasize that a healthy guarantee program has to keep its leverage ratio under a certain level in accordance with its portfolio’s risk. Well-functioning guarantee funds should run between 5 and 10 leverage. (Deelen and Molenaar, 2004: 95).

**Table 40: KGF Guarantees by year**

YEAR	GUARANTEE PROVIDED		CREDIT VOLUME REALISED	Additionality	Leverage
	NUMBER OF REQUESTS	AMOUNT (TRY)	AMOUNT (TRY)		
1994-2009	6,577	1,088,573,805	1,549,553,533	1.42	4.54
2010	3,090	938,956,126	1,302,374,573	1.39	3.91
2011	3,207	1,123,893,024	1,822,244,523	1.44	4.88
2012	5,517	1,114,078,429	1,553,380,442	1.39	4.84
2013	2,780	1,061,378,253	1,467,406,113	1.38	4.42
2014	5,262	1,391,917,903	1,887,821,435	1.36	5.80
2015	6,867	2,445,967,341	3,324,047,085	1.36	8.74

<sup>130</sup> Such as France’s Société de Caution Mutuelle Artisanale (SOCAMA) and Italy’s Confidi. For details on the operations of European CGSs, refer to the website of the European Mutual Guarantee Association (AECM) [www.aecm.be](http://www.aecm.be).

**Table 41: IFAD Matrix to Decide to Support Credit Guarantee Fund in Turkey**

Preconditions	IFAD Requirement <sup>131</sup>	Current Situation in Turkey
<b>Demand for Loans</b>	There must be sufficient, demonstrable, measurable and quantifiable market demand by MSMEs that warrants the loan guarantee	The sum of cash loans in agriculture sector expanded to TL 78 Billion in March 2017. The <b>CAGR</b> of the agricultural credit volume between 2013 and 2016 is <b>%18</b> .
<b>Supply of loans</b>	Credit service supply must be assessed. As a general rule, initiating a new system is <b>not</b> merited if there are other credit guarantee systems in the target area.	Almost all commercial banks in Turkey provide loans to the agriculture sector. Currently, a few private banks have separate agriculture banking departments Banks which do not have a separate agriculture department carry out agriculture lending activities mainly under SME department as a sub-unit.  KGF was established in 1993 and with the implementation of new treasury guarantee system, KGF writes a success story. <b>But KGF has not enough experience in agriculture sector.</b>
<b>Availability of professional management:</b>	Experienced technical managers and training should be required before initiation. Adequately prepared and independent guarantee fund institution A guarantee system will only be sustainable if the fund managing institution is fairly independent with specialized staff. Functional modalities should be discussed and defined with the commercial banks and FSPs that would participate in the LGF well in advance	KGF in Turkey has an experienced technical managers and staff on implementing various types of guarantee schemes. KGF made a great investment in human resources. KGF provided <b>certain training programs to ensure their staff to perform their duties</b> in a better and more efficient manner and assume different tasks. KGF was established with the common contributions of public and private sector as well as banks. <b>27 banks</b> are the member of KGF.
<b>Availability and adequacy of technical assistance</b>	KGF should have adequate technical expertise; risk mitigation and management system and appropriate procedures and products to address the demand	KGF has adequate technical expertise depending on the implementation of different schemes  Individual credit allocation and risk management department. KGF is implement scoring module namely <b>KOBİS</b> .
<b>Appreciation of the international best practices</b>	KGF local policies should compatible with international best practices. Staff should also aware of international standards.	KGF obtained <b>ISO 9001:2008</b> - Quality Certification. Studies are underway to obtain the updated version namely <b>ISO 9001:2015</b> .
<b>Availability of excess liquidity in local banks</b>	Do local formal financial institutions have the required liquidity to advance to IFAD clients and are they willing to take part in the scheme.	Local financial institutions are very accustomed to implementing the PGS system. They have already provided <b>TL 165 Billion to SMEs</b> in Turkey. If the KGF has a specific role in the agriculture sector, it will also encourage the banking sector to provide loans to poor farmers.
<b>Potential for sustainability</b>	If the Project Design Team notes any "signals" of unsustainability, the KGF should be halted.	The KGF provides sustainability through its organizational structure, resources and guarantee models that it is implementing. This is further boosted by KGF investing own finance in the scheme.

<sup>131</sup> IFAD considerations are identified in details in the IFAD guidelines of "How to do the Loan Guarantee Funds" pg.7-8.



## Appendix 13: Social, Environmental and Climate Assessment Review Note <sup>132</sup>

### I. Major landscape characteristics and Issues (Social, natural resources, and climate)

#### A. Socio-cultural context

1. Turkey, an upper-middle-income country with Gross National Income (GNI) per capita of US\$10,830 and a Gross Domestic Product (GDP) of US\$813 billion, is the 18th largest economy in the World. Turkey is a European Union (EU) accession candidate country, a member of the Organization for Economic Co-operation and Development (OECD), and of the Group of 20 (G20). It is an increasingly important donor in bilateral Official Development Assistance (ODA).

2. Poverty has declined in Turkey. In the last decade alone, the poverty rate was halved, from 44% in 2002 to 21% in 2011. However, regional income disparities still remain. Imbalances persist in socio-economic structure and income levels across both rural and urban settlements and across regions in the country. Turkey's nominal 2013 Human Development Index (HDI) of 0.759 exceeds the average of 0.738 for other countries in Europe and Central Asia. Turkey's performance is also above the average of 0.735 for countries in the high human development category, and it ranks 69 out of 187 countries and territories. The country's Inequality-adjusted Human Development Index (IHDI) is about 15.8% lower than its nominal 2013 HDI. This underlines the inequality in the distribution of achievements across the society including regional disparities.

3. Regional income disparities remain. The imbalances in socio-economic structure and income levels across both rural and urban settlements as well as across regions in the country persist. Since 2000s, the regional development policy in Turkey is transforming to include enhancing competitiveness of regions and strengthening economic and social cohesion in addition to reducing disparities. The 10th Development Plan (2012-2015), among others, aims at reducing regional and urban-rural disparities. According to the Plan, public investments will continue to be directed towards areas that target reducing regional development disparities and utilizing the potential for regional development. It should be noted that the incidence of poverty is also closely associated with altitude. Even in wealthier regions of Turkey, the incidence of poverty is significantly higher at higher elevation areas, compared with the lowlands, due to the precarious state of the natural resource base and limited opportunities for income diversification.

4. Rural population is decreasing, from 23.3% in 2011 to 8.25% in 2014 . The drivers of inter- and intra-regional migration from rural to urban areas are several: human resource-related issues (low levels of education and few skills), ineffective institutional structures including farmer organizations (cooperatives, producer unions, etc.) needed to support rural development, highly scattered settlement patterns in some regions particularly the along the Black Sea, insufficient investments to develop and maintain physical, social and cultural infrastructure, high rate of hidden unemployment, insufficient diversification of agricultural and non-agricultural income-generating activities resulting in low incomes and relatively low quality of life for the rural population.

5. Rural labor force is predominantly employed in the agriculture sector with a share of around 61%. During this period, despite this rise in agricultural employment, rural poverty remained significant

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<sup>132</sup> The full report with Annexes is available on X-Desk at the following link:

<https://xdesk.ifad.org/sites/NENop/Lists/tur/Forms/AllItems.aspx?TreeField=AllDocuments>

mainly due to the fact that agricultural employment is largely in very small farming enterprises that suffer from underemployment.

6. Agriculture is no longer the main driver of the economic growth. The agricultural sector that had traditionally been seen as the major contributor to the country's GDP provided only 9% of the GDP in 2012. Although this displaced the sector from being the main driver of economic growth, it still retains its importance in rural development, employment (particularly for women), export and manufacturing sector. Turkey has become a regional hub for the production, processing and export of foodstuffs to the large European and Middle Eastern markets. Its agricultural diversity and amenable climate allow it to produce a sustainable supply chain of raw inputs for its agro-processing industry, facilitating its status as a major exporter of food and beverages. Nevertheless, the sector still has serious shortcomings where the sector has a dual faceted nature, two major segments:

- **Major Segment 1** consisting of 1/3 of the farmers who are registered in the National Farmer Registry System (about 2,1 million farmers in 2015) and concentrated mainly in the Marmara, Aegean and Mediterranean. These large farms are commercialized, well aware of global trends, national and international markets use latest technologies, interested in innovations and fully integrated into value chains.

- **Major Segment 2:** It is estimated that 2/3 of the registered farmers (about 4.2 million) are concentrated in regions and areas that usually have limited agricultural base, affected by rough topography (mountainous) and relatively disadvantaged in terms of climate and remoteness. Generally, resource poor, engaged mostly in subsistent and semi-subsistent farming, rather conservative, do not consider farming as a business. This segment also struggles with structural problems such as small farm sizes, fragmented land and consequent lack of economies of scale with poor production techniques. Low productivity and poor quality of agricultural produce prevent them from being integrated into the value chains and markets. Furthermore, they are more vulnerable to unfavorable weather conditions and climate change.

7. The latter group harbors the productive poor and/or small men and women semi-subsistence farmers who, given the opportunity and encouragement, can shift to small-scale commercial production and farming as a business.

8. **Gender.** Despite progress in legislative and strategic frameworks, significant gender disparities persist in Turkey. Gender equality is recognized in the constitution of the Republic of Turkey and important legislation including the Civil Code, Penal Code and Labour Laws. Despite this growing recognition of the importance of gender equality, significant differences persist. While women make up 44% of the agricultural labor force, Turkey has the lowest female labour force participation rate among the OECD countries in 2010, making it an outlier in the upper-middle-income country (MIC) group. The Gender Inequality Index (GII) that reflects gender-based inequalities is 0.360 for Turkey, ranking it 69 out of 149 countries in the 2014 index. Women have a limited participation in governance and very limited access to and control over resources including land and finance. GNI per capita is also considerably lower for women (2011 PPP US\$8,813) compared with for men (2011 PPP US\$28,318).

9. Post-crisis dynamism (after early 2000s in Turkey) has drawn a growing number of Turkish women into labor force. After several decades during which the labor force participation of women was declining, as families moved from rural to urban areas and farm workers became housewives, female employment has been perking up since the late 2000s. Younger and better educated cohorts of women benefit from improved employment prospects in Turkey's growing services sector and employment rates have also risen among middle-aged women as falling family sizes and improved household amenities create opportunities for them to return to the labor market. Since 2010, amendments were made in laws regarding civil servants and labor with the goal of increasing the number of

women in the workforce through strategies to help balance work and family life. The discrepancies between standards for female workers and civil servants (as in the duration of paid maternity leave) were removed. On the other hand, the situation of women in the fields of health and education has been rapidly improving. Turkey's Industrial Strategy 2011-2014 and Small and Medium Enterprise (SME) Strategy 2011-2022 are also geared to support greater female employment.

10. **Youth.** The ratio of young population at the age group of "15-24" is 16.5% (around 13 million) in the total population of Turkey (around 78 million). About 51% of the youth are male and 49% are female. According to TÜİK's projections, the population is estimated at about 84 million for 2023, the centennial of the Republic. Although the population is young when compared with EU countries, it will have ageing population in the upcoming 8 years due to increasing life expectancy at birth and continuous decreasing in total fertility rate. In fact, the ratio of the young population is estimated to reach to 15.1% in 2023, 11.7% in 2050 and 10.1% in 2075.

11. A major medium-term challenge for Turkey is to boost the participation of youth and women in the labor force. Despite notable success in job creation in recent years, almost half of the Turkish Working-Age Population (WAP) does not enter the labor market, mostly due to the low Labor Force Participation (LFP) rate of women, which is around 30%, less than half the OECD average of 65%. About 35% of youth, mostly women, are neither working nor attending school—the highest share of inactive youth among OECD countries. For the youth who can or do work, about half (48 percent) work in the informal sector, high when compared to a population average of 35 percent. According to the results of Household Labor Force Survey; youth unemployment rate was realized as 17.9% in 2014. This rate was 16.6% for young males and 20.4% for young females. 19.4% of young people were employed in agriculture, 32.7% were employed in industry and 47.9% were employed in service sector 17.

12. The most important step to overcome obstacles to produce effective youth policy and to realize structural changes that will provide permanent solutions is to produce policies regarding education, health, personal life, labor force, social inclusion, taking an equal share of income etc. for the youth in Turkey.

13. The national youth policy of 2013 encompasses 13 themes, ranging from education, employment and entrepreneurship, to participation, civic consciousness, and culture. Each theme includes a set of targets and defines the group of stakeholders that should be involved in its implementation. However, the policy document neither names concrete measures to be taken, nor defines the financial resources needed or allocated. Article 58 of the Turkish constitution is devoted explicitly to youth. The state should ensure both training and development of youth, and protect them from addiction and other vices. A specific youth law does not exist. According to the Human Development Report (2008), youth rights and services for youth are covered in various laws, however often have contradictory definitions of youth.

14. **Socio Cultural Context of Target Areas:** The project aims at supporting the development of uplands in the following areas: Eastern Mediterranean Region, Western Black Sea Region.

15. In both regions, visited villages are characterized by remoteness, aging population and limited capacity to access or to dispose of the available natural resources. Energy, water and communication's infrastructures are generally available while social infrastructures such as schools and hospital as well as cultural opportunities are scarcely reachable due to distance from cities and district capital (Figure 28, Annex V presents distances of visited villages from main cities – within the same district - with health/educational and cultural attractiveness). Roads infrastructure is well developed and all sites are accessible by car. Nonetheless, while in the Eastern Mediterranean Region visited villages are linked to the main road network with paved roads in the Western Black Sea region dirt roads are more common.

16. Upland communities are still largely involved in agriculture and livestock, nonetheless due to migration of youth and aging population both activities are declining. According to the Turkish Institute of Statistics, the share of employed workforce in agriculture moved from 42,8% in 1996 to 20,6 % in 2015. The same trend is reported for both target areas with no substantial difference.

17. Out migration from target districts and municipalities involves mostly youth of both sex in the age comprised between 15 and 25 years old. In the 2008-2016 period people above 60 has as well started migrating out of target areas.

18. The observed migratory pattern is probably the root cause of the reported decline in agriculture and livestock related activities in the target areas where high labor intense activities such as agriculture and breeding of traditional cows is declining in favor of apiculture and small ruminants.

19. Data and information collected in the two visited regions reflects the general situation of the country. For more details and information kindly refer to the COSOP-SECAP where a thorough analysis of the social and economic context is available.

## **B. Natural resources and NRM**

20. According to Corine 2006 land use and cover, the ratios of forest and semi natural areas, agricultural areas, water bodies, artificial areas and wetlands are, respectively, 54.04%, 42.34%, 1.64%, 1.61% and 0.36%.

21. According to Land Capability Classification, there are three categories :

- First Category (34% of the total area) includes the classes I to IV where the first three classes (I-III) have limitations and require special conservation practices and the class IV requires very careful management and specific crops. All of these classes are suitable for cultivation.
- Second Category (60% of the total area) includes classes V-VII classes that are unsuitable for cultivation but could be used for only perennial plants with intensive conservation and development practices. It is suitable for under controlled grazing (pasture, grasslands) and forestry.
- Third Category (6% of the total area) includes class VIII which is suitable only for urban or industry not for agriculture at all.

22. Topography complicates agricultural activities and can increase soil erosion due to poor farm management and changes in land cover of slopes and mountains. Lands that have lower than 12% slope cover about 36% of total area while lands steeper than 12% slope cover 64% of total areas.

23. In Turkey, the total agricultural land is 27.510.750 ha that is significantly fragmented. Production is undertaken on 24 million ha on about 22 million individual parcels giving an individual plot size of only 1.1 ha. Data collected since 1952 indicate that while the number of parcels has been increasing, the average parcel sizes have been continuously decreasing. In 2011, the average land size per farmer was 6.8 ha and the average number of parcels per farmer was 6.9.

24. There are 32 soil associations in Turkey. The Leptosols are the dominant soils (about 18%) due to the rough topography that are followed by the Calcisols, Fluvisols, Cambisols, Vertisols, Kastozems, Regosols, Arenosols and Acrisols. The majority of the soils (about 65%) are shallow (50-20 cm) and very shallow soils (20 cm) and the remaining 35% are moderately deep (50-90 cm) and deep soils (90 cm). Areas with stones that are about 3 million ha are an important issue for agriculture.

25. Thanks to its modern agricultural monitoring and information system (TARBIL) the Country disposes of a vast database that is available at district level (an example is reported in Annex VI) and

where key information on soils and other key variables related to agriculture is available to the large public.

26. **Hydrology.** The country has 26 river basins that harbor 33 rivers, 200 natural lakes, 159 dam reservoirs and 750 artificial lakes, which constitute its inland waters. However, the country is listed among water scarce countries. Water potential per capita (m<sup>3</sup>/year/person) varies significantly across the basins. In 2013, the per capita water potential was approximately 1500 m<sup>3</sup>. The total water use in 2012 was 44 billion m<sup>3</sup> out of which 73% was used for irrigation, 16% for domestic purposes and 11% for industry.

27. It is projected that the country will deplete its “exploitable water”, estimated at 112 billion m<sup>3</sup> annually, by 2023. The forecasted breakdown of water use by key economic activities still suggest that agriculture will remain by far the major water consumer with 64% of total annual water consumption. Public water resources are under the rule and disposal of the state and not in the domain of private proprietorship. Their management and utilization are provided for by means of public laws. State Hydraulic Works (DSI) is the main executive state agency for Turkey’s overall water resources planning, development, management, execution and operation. DSI is empowered to plan, design, construct and operate dams, hydroelectric power plants, domestic water supplies systems for large cities and irrigation schemes. In deciding to respond to the demand, DSI allocates water based on the following priorities: i) drinking and utility water; ii) for the survival of the wildlife; iii) irrigation; iv) energy; iv) industry; v) fisheries; vi) mining; vii) tourism; viii) recreation and ix) trade.

28. However, responsibilities for water management are also dispersed across several agencies and institutions under different ministries, with often overlapping mandates. These agencies are directly or indirectly involved in the management, protection and monitoring of water resources. Overlapping responsibilities (e.g. in policy development, decision making, investment guidance and management, monitoring and controlling) lead to inefficient use of resources and reduced complementarities that impact efficiency and sustainability of investments in the river basins, or broadly, in water.

29. Target areas are distributed in 6 river basins and only n.16 (Kazihrmak) is defined as being close to critical for groundwater use and decreasing in terms of water avail, therefore specific attention will be required in addressing irrigation and other water management issues. River basins are identified, in target areas, as follows:

Region	Section	Province	District	River Basin Code	River Basin Name	Water Potential	Groundwater Use
Mediterranean	Eastern Mediterranean Sea	Mersin	Mut	17	Dogu Akdeniz	Stable	Non Critical
			Champliyayla				
		Adana	Karaisali	18	Seyhan	Stable	Non Critical
			Feke				

		Osmanye	Bahche	20	Ceyhan	Stable	Non Critical
			Sumbas				
Black Sea	Western Black Sea	Kastamonu	Arach	16	Kazihrmak	Decreasing	Waring
			Ihsangazi				
			Merkez				
			Taskopru				
			Hanonu				
			Devrekani				
		Sinop	Boyabat	13	Bati Karandeniz	Stable	Non Critical
			Dikmen				
		Bartın	Merkez				
			Amsara				

**Figure 1: River Basins of Target Areas**

30. Forests. Turkey has a land area of 77.8 million and 27.8% (21.6 million ha) of this is classified as “forest land”. Based on the regulations and codes of Turkish forestry, any forest area with a canopy cover of 11% or more is classed as “productive” forest and is required to have an allowable cut identified in the forest management plan that is prepared by the General Directorate of Forestry of the MFWA. Approximately 63% of forests have an economic function including the production of round wood, fire-wood and non-wood forest products, 32% an ecological function including watershed and erosion control and the remaining 5% as social and cultural.

31. Almost all forests (99.9%) are owned by the state based on the Law of Nationalization and mainly to combat over-exploitation and safeguard resources and the remaining area is private forest. However, the area of private forest is significantly understated and given as approximately 22,000 ha based on the definition of forests and the fact that some private land planted with trees (mainly poplar) is still classed as agricultural land.

32. In target areas Turkey’s unique biodiversity is best represented in forests where forest cover is still relevant and in provinces like Kastamonu and Sinop cover over 50% of available land and about 60% of the forest are located in upland areas. Hence, forests are a major economic resource for communities distributed in the uplands where direct exploitation for logging and indirect use for non-timber products is widely distributed among upland communities. Forests are as well key resources for beekeepers that, in target areas, exploit mostly pines, chestnuts and lime tree areas. To support and guarantee production, the Country established for this purpose 127 honey forests on over 10,000 ha. The general directorate of forestry is largely investing in doubling this number in the coming years so to enhance and support the apiculture sector and to increase total honey production and quality. Of the already established honey forests 1 is in Adana province and 1 in Kastamonu. Figure 2 reports extension of forests in target areas.

Region	Section	Province	District	Village	GPS Coordinates		Province Code	Forest Area
					Latitude	Longitude		
Mediterranean	Eastern Mediterranean Sea	Mersin	Mut	Mut	36°38'29.84"N	33°26'13.96"E	33	54%
				Haciahmeti	36°39'55.59"N	33°35'34.46"E		
			Champliyayla	37°10'5.31"N	34°35'31.67"E			
		Adana	Karaisali	Koruchak	37°9'5.88"N	34°42'54.60"E		
				Karaisali	37°15'25.97"N	35°3'31.62"E		
			Barakdagi	37°23'23.86"N	35°10'38.28"E			
		Osmanye	Feke	Feke	37°48'52.34"N	35°54'44.52"E		
				Gobeli	37°54'22.36"N	35°57'11.66"E		
			Bahche	Yaylalik	37°15'33.60"N	36°36'6.11"E		
Osmanye	Sumbas	Bekdemir	37°14'30.21"N	36°34'41.59"E				
		Chamkoyu	37°33'50.92"N	36°0'26.07"E				
Black Sea	Western Black Sea	Kastamonu	Arach	Avachik	41°20'12.69"N	33°17'23.79"E	37	65%
				Arach	41°14'32.75"N	33°19'57.79"E		
			Ihsangazi	Ihsangazi	41°12'11.68"N	33°33'26.79"E		
				Catalyazi	41°9'17.36"N	33°37'22.78"E		
			Merkez	Kastamonu	41°22'1.35"N	33°47'12.26"E		
				Karapurcek	41°34'2.13"N	34°10'29.77"E		
			Taskopru	Afsar	41°34'26.52"N	34°8'5.66"E		
				Hanonu	Caybasi	41°41'26.58"N		
			Devrekani	Kizachik	41°43'46.04"N	34°4'30.58"E		
		Sinop		Boyabat	Boyabat	41°27'51.51"N	34°46'10.53"E	
			Sinop	Dikmen	Yakin	41°30'52.51"N	35°18'16.06"E	
		Bartın		Merkez	Bedil	41°29'27.54"N	32°17'40.01"E	
			Amsara		Topderesi	41°42'49.91"N	32°23'56.76"E	

Figure 2: Distribution of Forest Areas by Provinces in Target Areas

33. During the past decades, Turkey started a massive intervention to support reforestation and afforestation of forest areas and uplands slopes both to control soil erosion (particularly pronounced in target areas) of the watershed basins and to support the forest related economy of uplands of forest communities. Targets achieved by 2013 are reported below in Figure 3.

Region	Section	Province	District	Village	GPS Coordinates		Afforestation Targets Reached in 2013 (ha)
					Latitude	Longitude	
Mediterranean	Eastern Mediterranean Sea	Mersin	Mut	Mut	36°38'29.84"N	33°26'13.96"E	178.654,00
				Haciahmeti	36°39'55.59"N	33°35'34.46"E	
			Champliyayla	37°10'5.31"N	34°35'31.67"E		
		Adana	Karaisali	Koruchak	37°9'5.88"N	34°42'54.60"E	
				Karaisali	37°15'25.97"N	35°3'31.62"E	
			Barakdagi	37°23'23.86"N	35°10'38.28"E		
		Osmanye	Feke	Feke	37°48'52.34"N	35°54'44.52"E	
				Gobeli	37°54'22.36"N	35°57'11.66"E	
			Bahche	Yaylalik	37°15'33.60"N	36°36'6.11"E	
Osmanye	Sumbas	Bekdemir	37°14'30.21"N	36°34'41.59"E			
		Chamkoyu	37°33'50.92"N	36°0'26.07"E			
Black Sea	Western Black Sea	Kastamonu	Arach	Avachik	41°20'12.69"N	33°17'23.79"E	252.735,00
				Arach	41°14'32.75"N	33°19'57.79"E	
			Ihsangazi	Ihsangazi	41°12'11.68"N	33°33'26.79"E	
				Catalyazi	41°9'17.36"N	33°37'22.78"E	
			Merkez	Kastamonu	41°22'1.35"N	33°47'12.26"E	
				Karapurcek	41°34'2.13"N	34°10'29.77"E	
			Taskopru	Afsar	41°34'26.52"N	34°8'5.66"E	
				Hanonu	Caybasi	41°41'26.58"N	
			Devrekani	Kizachik	41°43'46.04"N	34°4'30.58"E	
		Sinop		Boyabat	Boyabat	41°27'51.51"N	34°46'10.53"E
			Sinop	Dikmen	Yakin	41°30'52.51"N	35°18'16.06"E
		Bartın		Merkez	Bedil	41°29'27.54"N	32°17'40.01"E
			Amsara		Topderesi	41°42'49.91"N	32°23'56.76"E

Figure 3: Afforestation achievement in Target Areas

34. Additionally, the General Directorate of Forestry is supporting forest villages with specific social and economic credits aiming at improving living conditions of communities as well as at supporting their livelihood with credits and cluster investment partnerships.

35. Forests in target areas are rich and diverse. While species of the Pine genus are the most abundant, oaks, chestnuts, maples, poplars, hornbeams, beech, cypresses, yews and lime trees are common and well represented in both regions.

36. The forests in the Western Black Sea region support a higher diversity of woody species, with up to 25 different tree species per 1000 m<sup>2</sup> around Bolu, Zonguldak and Bartin. Coastal mountains having productive *Fagus orientalis* Lipsky forests and their floristic compositions in the coastal belt are associated with *Pinus brutia* Ten., *Laurus nobilis* L., *Castanea sativa* Mill., *Tilia argentea* Desf., *Tilia tomentosa* Moench, and *Carpinus betulus* L. On the higher parts *Pinus sylvestris* L., *Abies bornmulleriana* Matt. and mixed *Fagus orientalis* Lipsky forests occur. These are high forests with two or three structural layers, and a well-developed understory with abundant bushes. The most common species are *Taxus baccata* L., *Rhododendron flavum* Don., *Quercus cerris* L., *Quercus petraea* Lieble., *Prunus laurocerasus* L., and *Cornus mas* L.

37. In the Eastern Mediterranean Sea Region, most of the forests are coniferous, comprised of *Pinus nigra* Arnold. subsp. *pallasiana*, *Cedrus libani* A. Rich, *Abies cilicica* Carr, and *Juniperus foetidissima* Willd. and *Juniperus excelsa* Bieb. which form the tree line (Davis 1965–1985, Davis 1988, Ozturk et al. 1991, Atalay 1987, 2002). *Cedrus libani* A. Rich. occurs in areas affected by the Mediterranean climate, while *Pinus nigra* Arnold. subsp. *pallasiana* mostly occurs inland, continental sites (Guidotti et al. 1986, Atalay 1987). *Pinus nigra* Arnold. subsp. *pallasiana* forests occur between 1200 and 2000 m in the Taurus Mountains. Black pine grows very well on the soft parent materials such as flysch and colluvial deposits and often associated with the cedar and fir in the Taurus Mountains. Figure 4 summarizes main species distribution per region and province .

Region	Section	Province	District	Predominant Species	Others
Mediterranean	Eastern Mediterranean Sea	Mersin	Mut	CALABRIAN PINE	CRIMEAN PINE / JUNIPER / FIR / CEDAR / CYPRESS / OAK
			Champliyayla		
		Adana	Karaisali		CRIMEAN PINE / JUNIPER / FIR / CEDAR / CYPRESS / OAK
			Feke		
		Osmanye	Bahche		CRIMEAN PINE / BEECH / CYPRESS
			Sumbas		
Black Sea	Western Black Sea	Kastamonu	Arach	BEECH / CHESTNUT / CRIMEAN PINE	OAK / FIR / ALDER / SCOTCH PINE
			Ihsangazi		
			Merkez		
			Taskopru		
			Hanonu		
			Devrekani		
		Sinop	Boyabat		
			Dikmen		
		Bartın	Merkez		
			Amsara		

**Figure 4: Predominant Species in Target Areas Forests**

38. Forests in target areas are also a valuable source of non-timber products such as mushrooms, fruits, wild honey, herbs, time, sumac, gall oak, snowdrop, licorice, lime flowers, valerian, stone pines and berries are widely exploited by forest communities. Exploitation of such products is regulated by the Directorate General of Forestry and collection is to be officially approved by the local office of forests and a tax equivalent to 1% of the market value per Kg is applied. Figure 5 describes the distribution of non-timber products in target areas.



Region	Section	Province	Main Non-Timber Products
Mediterranean	Eastern Mediterranean Sea	Mersin	Chaste Tree / Stone Pine / Thyme / Sumach / Mushrooms / Berries / Fire Wood
Black Sea	Western Black Sea	Kastamonu	Gentian / Bay Laurel / Fern / Stone Pine / English Laurel / Lime / Valerian / Snowdrop / Gall Oak / Sumach / Foxglove / Mushrooms / Berries / Fire Wood / Tragachant Gum / Gilaboru / Belladonna / Marsh Mallow / Terebinth / Chestnuts / Wild Honey
		Sinop	
		Bartın	

**Figure 5: List of Main Non-Timber Products in Target Areas**

39. Though the Country is placing considerable efforts in protecting and managing its natural resources, forests are still threatened by fires, encroachment (specially along the black sea due to hazelnut production) and pests. The latter (Pine processionary moth, Mediterranean Pine bark beetle, Asian Chestnut gall wasp and others) is becoming a serious threat to key economic productions such as chestnut honey, pine honey, chestnuts, pine nuts and others. To prevent and combat such phenomena, that is expected to increase in distribution and magnitude because of the described changing climatic conditions, the Country established a rigorous protocol of biological pest control and has established over 50 laboratories to produce pests' antagonists. 12 of these laboratories are located in the target areas. In southern provinces forests are as well relevant grazing areas for small ruminants. Despite being still formally forbidden by the General Directorate of Forestry and some areas in the Mersin and Adana provinces are still fenced, officials recognize the need of more advanced methodologies that include herders in the picture and allow contained numbers of sheep and goats to graze forest so to enhance forest fire prevention activities. The issue, particularly in the Mediterranean regions, is yet far from being settled.

40. **Biodiversity.** Turkey straddles the continents of Asia and Europe, bounded on the north by the Black Sea, on the west by the Aegean Sea and on the south by the Mediterranean. There are three major bio-geographical regions namely Euro-Siberian, Mediterranean and Irano-Turanian. There are very different types of ecosystems such as coastal and marine, agricultural, mountain, forests, steppes and wetlands. The flora and fauna are very rich with a high endemism and wider genetic diversity (Figure 6). In fact, the country is also one of the leading countries in the world for plant endemism. About 33% of the plant species are endemic to Turkey: out of 11 466 taxons of species and sub-species, 3 650 are endemic. The exceptional amount of endemism places great responsibility on Turkey to ensure that these species are adequately protected so as not to become endangered or extinct.

41. Turkey has a tremendous plant genetic resource. There are 5 micro-gene centers where more than 100 species display a broad variation. It is the origin or diversity center of many important cultivated plants and other plant species. There are 40 national parks, 31 nature conservation areas, 107 natural monuments, 184 nature parks, 81 wildlife reserve areas, 58 conservation forests, 239 genetic conservation areas, 373 seed stands, 15 specially protected areas, 1273 natural sites, 14 RAMSAR sites and 1 biosphere reserve. These classifications of protected area are quite well defined in laws but their protection and management needs improvement.

42. According to the OECD Environmental Performance Review of Turkey protected areas reached 5.3% of Turkey's area during the review period. Turkey has further improved protection of these areas via management plans. The proportion of protected areas (included RAMSAR Sites) to the total sur-

face area of Turkey has increased significantly over the years and reached to 7.2% of the territory 10. Turkey plans to augment this proportion to 10%.

43. Total area under legal protection in target areas amounts to over 110,000 ha corresponding to 47 sites organized in (i) National Parks – 2, (ii) Nature Parks – 16, (iii) Wildlife Protection Areas – 16, (iv) Nature Monument – 10, and (v) RAMSAR Sites – 3. Protected hectares per district are reported in Figure 6, a detailed list of sites in target districts is reported in Annex II.

Region	Section	Province	Area under legal protection (ha)	# of Protected Sites
Mediterranean	Eastern Mediterranean Sea	Mersin	15.462,50	18
		Adana	89.721,00	12
		Osmanye	4.147,00	2
Black Sea	Western Black Sea	Kastamonu	4.956,00	9
		Sinop	140,00	5
		Bartın	56,00	2

**Figure 6: Area under legal protection in Target Areas**

### C. Climate

44. Although Turkey is largely situated in the Mediterranean geographical location where climatic conditions are quite temperate, the diverse nature of the landscape, and particularly the mountains that parallel the north and south coasts result in three main climate zones: Mediterranean, Sub-tropic and Terrestrial, each with distinct precipitation patterns: i) the convective rainfall in Central Anatolia during spring and summer months, ii) the frontal rainfall in all regions, mainly in the winter and spring months, and iii) the orographic rainfall on the seaward slopes of the Black Sea and the Mediterranean Sea. Average annual precipitation is 643 mm (average of 1941-2007), ranging from 250 mm in the Central Anatolia to over 2500 mm in the coastal area of Northeastern Black Sea. Across the country, approximately 70% of the total precipitation falls during the period between October and April, and there is a little rainfall during summer months.

45. Regional analysis of climatic trends (1981-2015 - low resolution) / 1996-2015 -high resolution) for both regions confirm that main climatic patterns such as rainfall, temperature (Min/Max/Avrg) and snow cover have already changed.

46. Temperatures have increased steadily in each province, picks of increase are recorded during early summer and winter, and with Mersin as the province with higher variation. Rainfall, though generally stable in the Eastern Mediterranean provinces and slightly more abundant in the Western Black Sea ones, varies according to geomorphology and average altitude of the province. Even if data shows an increase of available rainfall in most of the provinces, rainfall distribution during the year has changed increasing summer winter and summer precipitations and decreasing during spring and autumn. Snow cover has decreased in both regions and in each province with a more marked decrease in high mountains where snow cover can up to 4 weeks shorter in time. Figure 12, Annex I shows how rainfall patterns have changed in target areas.

47. Furthermore, data shown in table 7,8 and 12 confirm that changes are not just to be expected as per IPCC forecasts but a concrete reality. Increased temperatures and erratic rainfall patterns as well as reduced snow cover will have an impact water resources and management and as a consequence on agriculture.

Region	Province	Temperature		
		Minimum	Max	Average
EASTERN MEDITERRANEAN SEA	Mersin 1981-2015	Increasing	Increasing	Increasing
	Adana 1981-2015	Increasing	Increasing	Increasing
	Osmanye 1981-2015	Increasing	Increasing	Increasing
WESTERN BLACK SEA	Kastamonu 1981-2015	Increasing during Summer and Decreasing during Winter	Increasing	Increasing
	Sinop 1981-2015	Increasing	Increasing	Increasing
	Bartın 1981-2015	Increasing	Increasing	Increasing

Figure 7: Temperature trends in Target Areas

	Province	Snow Cover	
		# of days with snow cover	Changes in Snow melting Time
EASTERN MEDITERRANEAN SEA	Mersin 2000-2015	Decreasing	Under Calculation
	Adana 2000-2015	Decreasing	Under Calculation
	Osmanye 2000-2015	Decreasing	Under Calculation
WESTERN BLACK SEA	Kastamonu 2000-2015	Decreasing	Under Calculation
	Sinop 2000-2015	Decreasing	Under Calculation
	Bartın 2000-2015	Decreasing	Under Calculation

Figure 8: Snow Cover Trends in Target Areas

48. From the analysis of the normalized difference vegetation index (NDVI) trends and evolution of target areas, the scenario is generally positive (positive trend) or neutral (no evident changes) with the exception of the Adana-Osmaniye plains where a negative trend is appreciable mostly in winter. Correlation between changes in monthly rainfall in the areas and negative NDVI are to be further analyzed (Figure 14 Annex I). In the Eastern Mediterranean region, the observed situation is probably caused by a large expansion of fruit orchards and olives in intermediate lands (0 to 500 m) and low lands and to the large-scale reforestation and afforestation programs of the Country in the past decades. In the Western Black Sea region, the situation is generally positive with no extended negative hot spot. Those that are visible are mostly due to urbanization. For both regions, positive trends are concentrated in uplands and intermediate lands. Figures 12,13,15,16 (Annex I) present the described situation. Data have confronted with the existing WFP and FAO databases and initial observations are confirmed by homogenous findings.

#### D. Key Issues

49. Turkey in general and target areas in detail are among the countries in the Mediterranean Basin that could be profoundly affected by the climate change. A number of studies point to: i) temperature increases everywhere in all seasons, but the increases are larger in summer than winter; ii) decreases in annual precipitation amounts in southern parts of Turkey, and possible slight increases in the northeast; iii) more intense precipitation events, increasing the risks of fluvial and pluvial flooding, together with landslides; iv) increased intensity and duration of droughts and hot spells leading to in-

creased water stress and rising sea levels, increasing the risks of flooding in low-lying areas of river deltas and coastal cities.

50. The recent severe droughts experienced in many parts of the country suggest that Turkey must reassess its water management policies and practices in agriculture and the intricately linked food and beverage industry. There are signs that climate change has already affected crop productivity and also the livestock productivity indirectly through low yields of forage crops and cereals (straw), livestock drinking water availability and rangeland productivity. Climate change will put increasing pressure on agriculture and industry in the coming decades that call for the development and implementation of options for climate change adaptation.

51. Many of the options for climate resilient agriculture are similar to existing 'best practice' and "good natural resource management" thus do not require farmers and industry to make radical changes in their operations in the near term. These options can and should be prioritized as part of a set "no regrets" investments or "win-win" strategy for agriculture in general and food and beverage industry. For example, water saving technologies would bring immediate and sustainable benefits while preparing the sector for climate change. The economic effects of climate change will not be significant until the late 2030s as suggested in a recent study. Therefore, Turkey has a window of opportunity to develop and implement adaptation policies since agriculture and food production will be the most affected sectors from the predicted water shortages. However after 2030s, production patterns and relative prices will change drastically and the economic impact will vary by regions: those where irrigated agriculture is less important, the effects will be milder suggesting a need for putting more emphasis on policy design that address region-specific climate change. In irrigation-dependent areas, increasing water requirements will push farmers to either reduce irrigated production or reduce water use per unit of production. If combined with the declining yields, this will cause significant deterioration in agricultural production and eventually the prices will increase. The rural household livelihoods will be significantly impacted. While production losses could be partially compensated by imports resulting in an increase in agro-food trade it could cause the trade balance to worsen with declining manufactured or processed (value added) exports due to increasing cost of production.

52. Based on the review of the available documentation and discussions with key stakeholders, the following were identified as SECAP-related principal environmental and climate change issues and priorities: i) water scarcity/stress; ii) land degradation, desertification and erosion; iii) land fragmentation; and iv) shortcomings in environmental management.

53. Water scarcity/stress. The 26 water basins of Turkey across a wide range of agro-ecologic zones suffer varying levels of water stress and or scarcity. By 2030, available water per capita is expected to decrease to 1100 m<sup>3</sup> and Turkey might be exposed to water scarcity. Several studies projects that droughts in Turkey could increase in frequency and magnitude with climate change, with the greatest potential impacts projected for the southern and western parts of the country.

54. The overuse of ground water in some basins (watersheds) has already raised alarms. Various actors along the food value chain using private wells have been contributing to the current alarming situation. High concentration of private sector food industry and intensive crop and livestock production overlap or coincide in those basins indicated as critical. Many aquifers are being exploited beyond their natural recharge rate. The over extraction of groundwater in regions such as the Mediterranean is a concern also because of the intrusion of sea water into fresh water aquifers and the growing competition for water between agriculture and the tourism when the water demand peaks in the summer overlap.

55. According to OECD the situation described within the COSOP – SECAP has worsened and reached alarming levels reaching in 2013 about 10 Km<sup>3</sup> for agriculture only with groundwater extraction accounting for 20% of the total water used in agriculture . To mitigate and improve the described

situation the Country has developed a new regulation framework (2013) that foresees, among the others, well registration as an obligation.

56. In 2014, Turkey endured the driest year since 1961 . The drought posed challenges for the country's water supply, particularly in metropolitan areas, and directly affected the agricultural sector. The decline in the water levels of dam reservoirs has also caused problems for hydroelectric power generation.

57. Increased risks of reduced water balance (difference between annual mean precipitation and annual mean evaporation) by 29% to 69% are forecast. Water stress is expected to increase with the rising population and the potential desertification associated with rising temperatures due to climate change. Turkey has made some progress in aligning legislation to EU on integrated water resources management in particular, whereas enforcement remains weak.

**Causes:** Excessive water use in irrigation, illegal ground water withdrawal, and efficiency problems caused by the operations of current facilities, leakages and loss of water from distribution networks, water pollution, administrative and institutional problems and delays in investments. In agriculture water is considered a resource with no cost other than for its development. Water pricing and allocation policies are either not yet in place or lack adaptation to changing circumstances for availability, affordability and sustainability. Furthermore, solid economic growth is increasing the pressure on water resources where the potential per capita varies substantially across Turkey's 25 river basins. Water availability is highly seasonal and unequally distributed throughout the country leading to local and regional water shortages. As the infiltration capacity of the soil decreases, surface runoff increases and the recharge of the aquifers is reduced.

**Effects:** Withdrawal/consumption of ground and surface water that exceeds the carrying capacity of these resources, resulting in reduced flows/drying up of surface water resources, lowering of ground-water table.

**Impacts:** It is estimated that in those basins with concentrated economic activity, combined with intensive agriculture and urbanization, up to 50% of the surface water may perish within this century and scarcities will occur in agriculture, in households and in industry. It is predicted that increasing variability in temperature and precipitation, largely resulting from climate change will further negatively impact the water table in Central Anatolia. Increasing reduction/loss in crop yields leading to crop failure are forecast, thus threatening food security.

58. Land degradation, desertification and erosion: All these are closely tied and their reasons and results are intertwined. In many rural areas, over-use, and consequent degradation, of natural resources appears to be the only way for the poor to survive. The most widespread form of land degradation in Turkey is erosion; overall, 85% of Turkey's land area is affected by slight to severe soil erosion: about 58% is under severe and very severe erosion. Erosion is affecting 54% of forestland, 59% of the agricultural lands, and 64% of the rangelands. According to 2005 Turkish government data, about 182 million tons of productive topsoil is being moved to rivers as sediment loads. TEMA, a prominent NGO that tracks erosion, give the soil loss as 743 million tons per annum in 2015.

59. Over 54% of Turkey's land area consists of vulnerable ecosystems of semi-arid to arid landscapes threatened by desertification. Moreover, projected climate change and increased aridity together with expansion of agriculture, forestry, and livestock production in arid regions and biodiversity loss are areas of growing concern.

**Causes:** Overuse of all resources over thousands of years in Anatolia, i.e. modern Turkey, has created much fragility; prehistoric man gave up nomadic life, founded settlements and began to farm here, at Çatalhöyük, about 10,000 years ago. The major causes of the degradation are human-induced: i)

use of land not suitable for respective land capability classes e.g. use of prime agriculture land for urbanization and industry, crop production on V-VIII class lands, ii) inappropriate agronomic practices that cause water and wind erosion e.g. lack of contour plowing on slopes, soil fertility loss (mainly loss of organic matter), over irrigation, over use of agricultural chemicals; iii) deforestation; iv) over exploitation of rangelands (overgrazing and traditional pasture based livestock production), v) biodiversity loss and vi) agricultural clearing/encroachment into rangelands, forest land and watersheds. The other reasons are: i) the semi-arid and arid character of the majority of the regions ii) increasing variability in temperature and precipitation resulting from climate change and ii) the effect of natural parent material on land (e.g. serpentine) and type of soils that are erosion-prone.

**Effects:** Reduced vegetative cover, low organic matter content and low aggregate stability have led to marked reductions in soil moisture content thus subjecting agricultural lands to significantly higher vulnerability to drought, erosion and degradation. Land degradation has also led to unstable and increasingly torrential river flows with increased incidence of flooding and growing sedimentation problems. Landslides have also become a growing problem. Land degradation, particularly in the upper parts of the watersheds further exacerbates the impact of already harsh physical and climatic conditions hampering agricultural productivity around the upland.

**Impact:** All of the above negatively affects farming households' ability to derive a livelihood particularly in the upland regions, with resulting higher poverty rates in these areas and rural out migration. Increased sedimentation levels, decreased water quality and increased run-off leading to flash flooding and landslides have adverse impacts both on the population living in these areas as well as those living downstream. Increasing degradation of land resources and loss of normal environmental services contributes to increased threat of food insecurity. Although Turkey has significantly advanced its capacity to manage and mitigate disaster risk and strengthened its legal and institutional framework, further enhancement of capacities is needed to build a disaster-resilient society.

60. **Land Fragmentation.** It remains an on-going process in Turkey. According to the results of the last Agricultural Census (2001) conducted by Turkish State Statistics Agency, agricultural production is undertaken on 24 million ha and about 22 million individual parcels giving an average individual plot size of only 1.1 ha. The data indicates that since 1952, while the number of parcels has been increasing, the average parcel sizes have been continuously decreasing. As of the end of 2012, the average land size per farmer is 6.1 ha and 57% of the farm holdings have at least four pieces with the average being six .

**Causes:** i) inheritance and transfer of the land to inheritors, ii) dividing larger plots into smaller pieces for selling; iii) renting and sharecropping; iv) division as a result of expropriation due to various reasons; v) population pressure on agricultural land; vi) previously non-cadastral rangeland and meadow boundaries; vii) topography and viii) industrialization pressure on prime agricultural land particularly those close to large metropolises.

**Effects:** i) high fuel consumption due to frequent traffic among individual plots; ii) low water use efficiency; iii) poor parcel accessibility due to lack of on-farm roads; iv) inefficient use of agricultural machinery use, iv) untimely agricultural operations, v) contamination of diseases and pest due to a number of neighbors,

**Impact:** i) inefficient use of irrigation investments and agricultural inputs; ii) low crop yields; iii) increased energy use; iv) high production cost; v) frequent social friction among land users regarding accessibility to individual plots, choice of crops that needs different timing for agricultural operations; v) too many land owners/users as neighbors and the necessity to negotiate with all of them.

## **II. Potential project's social, environmental, and climate change impacts and risks**

### **A. Key potential impacts**

61. Overall the program will have positive impacts both from a social and environmental perspective and planned activities will have, in general, positive impacts on environment and communities. The program do not foreseen major infrastructures nor changes in land use that could somehow compromise the social and environmental integrity of target areas and communities. On the contrary, the activities planned within the projects will surely have positive impacts and will contribute in reducing soil erosion, in mitigating climate change and in promoting sustainable and organic agriculture in target areas. Figure 21, Annex III summarizes program's investments including an impact and mitigation preliminary assessment.

### **A. Climate change and adaptation**

13. Changes in temperature and rainfall described in the previous chapters and reported in Annex I are already impacting Turkey and in particular the agriculture and livestock sectors. Though recent data and analysis on current impacts in target areas are not available, those identified at Country level and reported in the COSOP-SECAP are applicable. Droughts will impact mostly the Easter Mediterranean Sea Region while the reported increase in temperature joint with the reduction of snow cover on might affect water availability and reduce productivity of plants. Increased temperature might as well have negative impacts on key upland's activities such as beekeeping due to erratic blossoming patterns and on production due to parasites and other pests that will have more favorable condition to develop and extend their reproduction cycle.

14. The program will support extension services of the MFAL, MFWR, MEUP in supporting farmers in adapting to described changes as well as in preventing them. Planned activities will be key in supporting such adaptation process as they will support sustainable development of uplands via the following key actions:

- Conversion of underused agriculture land into fruit orchards. This will consolidate soils, increase carbon capture, support diversification of livelihoods.
- Introduction of drought resistant fruit varieties of almonds, cherries, chestnuts, walnuts and other stone fruits. This will allow to cope with forecasted water scarcity and increased temperatures.
- Sustainable Management of Pastures and Rangelands according to the Pasture Plans developed by the government. This will allow conservation of pasture areas and enhancement of their carbon sequestration role and will allow herders to enhance quality of livestock instead of quantity.
- Support to Organic Agriculture and Integrated Pest Management and promotion of upland greenhouse production. This will allow upland smallfarmers to be marketable, produce higher quality products and diversify their livelihood strategies.

## **III. Environmental and social category (A, B, C)**

15. SECAP mission during project identification and detailed design confirms findings of the COSOP-SECAP. Program's interventions and investments would be directed to improve agricultural practices and pasture management as well as organic agriculture in fragile upland ecosystems and will improve NRM practices and capacity of all beneficiaries including representative of the Government. RB-RIMS, with inputs from the Ministry of Food Agriculture and Livestock (MFAL) monitoring system TARBIL, will ensure early identification of any potential adverse impact of activities where re-

medial action would be taken by MOFAL. A detailed analysis of potential impacts and mitigation measures is available in Annex IV.

#### **IV. Climate risk category (High, Moderate, Low)**

16. SECAP mission during project identification and detailed design confirms findings of the COSOP-SECAP. The proposed target area is not identified in current predictions and databases as a high climate risk area. Rough topography brings intrinsic threats of landslides and floods. Nonetheless, the initial analysis of the past 34 years' climatic trends confirms an increase of temperature (MIN/MAX/AVERG) in each target district. At the provincial level, there is no evident change in the NDVI trends (normalized difference vegetation index). Further analysis at a higher resolution are still ongoing to provide a risk classification that take into consideration target areas peculiarities. The programme will improve resiliency and exposure to shocks by supporting farmer and staff awareness and training, and climate smart investments such as small scale irrigation, vegetable production-undercover (plastic tunnel), contour ploughing as well as land consolidation via plantation of key agroforestry species such as walnuts, chestnuts, almonds and others.

#### **V. Recommended features of project design and implementation**

##### **A. Mitigation measures**

358. A detailed analysis of impacts and mitigation measures is available in Annex IV.

##### **B. Multi-benefit approaches**

359. Thought the program does not contain any earmarked climate financing its benefits in terms of environmental sustainability, climate change adaptation and mitigation as well as its socio-economic benefits are tangible. As described in the previous chapters and paragraphs and as detailed in Annex IV the program, supporting uplands development and mostly converting underused agricultural lands to orchards and productive forests, will ensure several positive benefits for communities and for the environment.

##### **C. Incentives for good practices**

19. In line with Intended Nationally Determined Contributions presented by Turkey during COP22 , the program will harmonize and enhance the set of incentives and subsidies set by the State via the Ministry of Food Agriculture, Livestock and Fishery and by the Ministry of Forestry and Water Resources to promote (i) organic agriculture, (ii) good agriculture practices, (iii) conservation and enhancement of environmental services, (iv) fight against erosion, (vi) forest conservation and enhancement.

20. In addition to the regular set of subsidies/incentives designed and in place for the agriculture and livestock sectors, the program will support and enhance the good practices set of instruments established by the State. The program will also work with the Directorate General of Forest to enhance and support their agroforestry and pasture management strategies in the two target areas. Details of incentives and subsidies are reported and described in Annex III.

##### **D. Participatory processes**

21. The program will work with communities and private sector in targeted uplands and related markets. Involvement of communities as well as of institutional partners will be guaranteed through the whole project cycle. Communities will be involved as beneficiaries as well as actors of change via



community land use and natural resource management plans that will aim in identifying and creating the adequate conditions to support rural development and achieve the objectives of the program.

## **VI. Analysis of alternatives**

22. As reported in the previous chapters and paragraphs and as explained in details in Annex IV the project will invest in activities that are sustainable and support climate change adaptation and natural resource management in target areas. Due to the overall positive impact assessed, the mission considers not necessary at this stage of design and with the proposed set of activities to recommend alternatives.

## **VII. Institutional analysis**

### **A. Institutional framework**

23. Turkey has developed various strategies and plans at the Ministry, Department and Agency (MDA) levels to enhance communities' capacities to adapt to economic and environmental shocks, while promoting sustainable development and common prosperity. These documents form the policy, legal and regulatory framework for addressing environmental management and climate adaptation in the context of the various sectors of Turkey's economy. While most of the strategies appear extensive, concerns over climate change are limited to adaptation and timelines are closely aligned to 2023, the centenary year of the Republic of Turkey's establishment. These strategies include the following:

- The Tenth Development Plan 2014-2018 - identifies 25 priority transformation programs with a significant number of programs focusing on socio-economic, environment and energy issues, including efficiency of water usage in agriculture, under the Ministry of Development that acts as a kind of umbrella ministry for central government planning. The Sustainable Use of Arable Lands Working Group Report of the Tenth Development Plan, 2014-2018 - specifies shared prosperity and sustainability as a major theme. Sustainable usage of arable land is the main theme, underscored by concerns over their usage of land outside of agriculture, impacts of climate change, rural out-migration and other policy, institutional and organizational shortfalls within relevant mandated agencies.
- National Strategic Plan for Agriculture (2013-2017) - focuses on the i) conservation of productive agricultural resources while improving access to quality food and ensuring food security and ii) farm to fork food security along international food standards. In line with this, 17 strategic outcomes are envisaged with a focus on sustainability, food security, food safety, infrastructure, bio-security, animal welfare, added value, support to rural livelihoods and institutional strengthening.
- National Strategy on Climate Change (2010-2023) - while Turkey aims to share in the global fight against climate change and to participate in international cooperation efforts, it does so within the principle of 'common but differentiated responsibilities' and within the framework of specific conditions. To this end, its objectives include: i) limiting the growth of greenhouse emissions while remaining in harmony with the principles of sustainable development; ii) while reducing the negative impact of global climate change, increase the national adaptation and preparedness levels, and share experiences and gains with countries within the region and development studies on adaptation and mitigation with bilateral and multilateral partners; iii) to play an effective role in the realization of global strategic objectives related to international climate adaptation, mitigation, technology transfer and financing by design, execution, and compliance; and to increase access to financing for adaptation and mitigation activities.
- National Strategy on Basin Management (2014-2023) – harmonization with the Water Framework Directive (WFD) is a cornerstone of the *acquis communautaire* chapter on environment, which

upon completion will see the closure of the chapter. The task involves the conversion of River Basin Protection Action Plans into River Basin Management Plans for all 25 river basins of Turkey. So far three plans are under conversion with the support of the EU. Others are planned with the support of the World Bank. While the EU provides technical assistance, the plans require strong physical investment, estimated at around €70 billion in total. Among the regional development projects in Turkey that emulate the basin management approach the largest is the Southeastern Anatolia Project (GAP) started in 1980) followed by the Konya Plains Development Project (KOP). Combined, they cover almost 20% of Turkey. The largest is the Southeastern Anatolia Project (GAP) started in 1980, followed by the Konya Plains Development Project (KOP). Combined, they cover almost 20% of Turkey.

- National Strategy on Regional Development (2014-2023) - envisages a more socio-economic and spatially integrated, competitive and prosperous Turkey that is overall and altogether more balanced and developed. The key objectives are defined as follows: i) reduction in regional disparities, ii) maximize the full potential and competitiveness of all regions, iii) strengthen economic and social integration and iv) establish a more balanced settlement across the country.
- National Climate Change Action Plan (2011-2020) Greenhouse gas (GHG) emission control and adaptation to climate change are the two main pillars that underscore the action plan. The former relates to seven key sectors across the economic landscape while the latter focuses on five key areas related to: i) water management resources, ii) agricultural sector and food security, iii) ecosystem services, biodiversity and forestry, iv) natural disaster risk management and v) public health.
- National Forestry Strategy (2013-2017) – the mission of the General Directorate of Forestry is to protect all forests from any danger, while developing a close understanding of nature, as well as maintaining its integrity in a sustainable manner for all of society to benefit from its existence. To this end, the current strategic objectives include: i) the protection of forests, ii) the development and expansion of forests cover, iii) to benefit from forest resources and iv) capacity building of the organization.
- National Drought Strategy and Action Plan (2013-2017) - the main objectives of the strategy are to: i) raise awareness among the public: ii) include all stakeholders in the process, iii) ensure sustainable use of agricultural water, iv) take all necessary measures before a drought, v) minimize the effects of drought by applying effective combat programs during a crisis, vii) develop an institutional structure of sufficient capacity, viii) realize combatting under an integrated and comprehensive plan, ix) achieve a structure in which agriculture is affected by drought at a minimum level.
- Strategy for Combatting Erosion (2013-2023) – the strategy looks at combatting erosion in agricultural, pasture and forest lands through a combination of actions, namely: erosion control, reforestation/afforestation, rehabilitation, pasture rehabilitation, establishment of coppice and the rejuvenation of woodlands.
- National Strategy for Combatting Desertification (2013-2023) – while the strategy looks at combatting desertification in Turkey, through nine strategic objectives, it also looks to expand its efforts, through cooperation with the state agency TİKA, into the near region. Objectives range from sustainable land management, rural development, national and international coordination and cooperation to setting a policy framework, public awareness raising, monitoring and evaluation, institutional capacity building and financing.

24. Turkey's Intended Nationally Determined Contribution (INDC). In accordance with decisions 1/CP.19 and 1/CP.20, the Republic of Turkey's INDC includes the following plans and policies for the sectors relevant to SECAP:

### **Agriculture**

- Fuel savings by land consolidation in agricultural areas
- Rehabilitation of grazing lands
- Controlling the use of fertilizers and implementing modern agricultural practices
- Supporting the minimum tillage methods

### **Forestry**

- Increasing sink areas and preventing land degradation
- Implementing Action Plan on Forestry Rehabilitation and National Afforestation Campaign

25. Institutional Framework: The Ministry of Foreign Affairs (MOFA) is responsible for decision making on international cooperation and assistance in coordination with other relevant ministries and agencies. The Ministry of Environment and Urbanization (MEU) is responsible for environment, urban planning and public works and mainly addresses sustainable development and environmental management issues. Other Ministries, institutions and organizations such as: Ministry of Development (MoD); the Ministry of Health (MoH); the Ministry of Science, Industry and Technology (MSIT); Ministry of Economy (MoE), the Ministry of Food Agriculture and Livestock (MFAL); Ministry of Customs and Trade (MCT), Under secretariat of Treasury; the Turkish Agency for Cooperation (TIKA); and the General Directorate for State Hydraulic Works (DSI) are involved in their relevant capacities.

26. The activities of the Ministry of Environment and Urbanization cover issues such as: appropriate land use; protection of natural resources; plants and animal species; prevention and control of pollution; and raising public awareness. Other duties of the Ministry are: setting environmental policies and strategies; coordinating environmental activities at local, national and international levels; issuing environmental licenses; collecting information; and organizing training activities. All these activities are conducted in close cooperation with other ministries, related institutions, local governments, and non-governmental organizations. The General Directorate of Environmental Management under MEU ensures coordination with other institutions and organizations in order to establish plan, policies and strategies for the implementation of measures related to and global climate change.

27. Turkish Cooperation and Coordination Agency (TIKA, 2013) – Turkey has seen its foreign and aid programs become more global, namely through its ODA agent TIKA – the Turkish Cooperation and Coordination Agency. Turkish foreign aid assistance Official Development Assistance (ODA)/GNI ratios have grown from 0.13% in 2010 to 0.42% in 2013, edging ever closer to reach the UN target of 0.7%. While OECD development assistance grew on average by 6.1% in real terms, Turkey, in contrast, recorded an increase of 29.7%, in 2013. This policy to extend soft power has positioned Turkey into number three in the world for humanitarian aid, ahead of Japan, Germany and Sweden, in both 2012 and 2013, and the most generous in terms of humanitarian aid/Gross National Income (GNI) ratio. Turkey's total humanitarian assistance accounted for 72% and 71% of all non-DAC (Development Assistance Committee) contributions for these years.

28. While governance is still highly centralized in terms of policy development and strategy management, Ministries are well represented at the Province and District Level by functionaries and technicians. Communities are organized in Settlements or Rural Neighborhoods, Villages, Municipalities, Districts and Provinces. Each level is represented as follows: Head of Village (Muhtar) (elected), Metropolitan Mayor (elected), Mayor of Province (elected), Mayor of the District (elected), Governor District or Kaymakam (appointed), Governor of the Province or Vali (appointed).

## **B. Capacity development**

29. Functionaries as well as technical staff in both region are generally well prepared. Nonetheless, several officials requested assistance in improving their skills and capacities in various fields of their tasks. Among these there is certainly the need to enhance local offices with Climate Change and Nat-

ural Resource Management skills to enable public administrations to understand the problem, comprehend its local dimension and support farmers and community in preparedness and adaptation.

### C. Additional funding

30. While the project will already address key issues such as erosion, energy savings, integrated pest management and soil protection with a well-structured set of activities aiming mostly at converting abandoned land to agroforestry and fruit tree production, the program - in line with COSOP-SECAP analysis, will not be able to address all of the environmental, social and climate priorities of the Government. Supplementary sources of other external financing may offer opportunities for environmental issues of global significance, i.e. the Global Environment Facility (GEF) or for climate change i.e. the Green Climate Fund (GCF). To be noted the GEF resources are not available as replenishment will start in July 2017. It is advisable, if deemed necessary, to start as soon as possible negotiations with other funds such as the Green Climate Fund and the Adaptation fund.

31. Projects currently under implementation and funded by the GEF are available from the list of acronyms. Each fund acronym is linked to a page reporting investments and focal points of the Country. Coordination and complementarity with the following projects might be instrumental to reach targets (Figure 9):

ID	Title	Focal Area	Implementing Agency	GEF Grant	Cofinancing	State of the Art in March 2017
5732	Sustainable Energy Financing Mechanism for Solar PV in Forest Villages in Turkey	Climate Change	UNDP	3,780,000	52,500,000	Project Approved
4583	Sustainable Land Management and Climate-Friendly Agriculture	Biodiversity, Land Degradation, Climate Change	FAO	5,750,000	22,300,000	Project Approved
4469	Integrated Approach to Management of Forests, with Demonstration in High Conservation Value Forests in the Mediterranean Region	Biodiversity, Climate Change	UNDP	7,120,000	21,430,000	Project Approved

Figure 9: List of Ongoing GEF Funded Projects of Possible Interest for the Project

32. Finally, the World Bank has a set of programs, also funded by GEF that could be contacted so to ensure capitalization of best practices and lessons learned as well as to ensure coordination and complementarity of investments in target areas.

## VIII. Monitoring and Evaluation

33. The program will ensure monitoring and evaluation of activities and will develop the necessary mechanisms to ensure that Environment and Social category as well as climate change risks are monitored and updated. In details the program will integrate in its result framework the following core indicators (Figure 10):

Core Output Indicators	Outcome Indicator
<b>Output 1.2.1</b> - Number of hectares of farmland under water related infrastructure constructed/rehabilitated <b>W</b> (current RIMS 1.1.5).	<b>Outcome 1.2.2</b> (Number) Percentage of persons/households reporting adoption of new / improved inputs, technologies or practices <b>S, Y, Lead, IND, SEC + Legal Status</b>
<b>CI - Output 3.1.1</b> - Number of groups supported to sustainably manage natural resources and climate-related risks <b>C, SIP, Lead, IND + Legal Status</b> (modified current RIMS 1.6.11).	<b>Outcome 3.1.2</b> (Number) Percentage of persons/households reporting adoption of environmentally sustainable and climate resilient technologies and practices <b>S, Y, Lead, IND + Legal Status</b>

<b>CI - Output 3.1.2</b> - Number of persons provided with climate information services <b>C,S,Y,IND + Legal Status</b> (modified current RIMS 1.1.15)		<b>NEW</b> - Number of hectares reporting positive trends of vegetation development and/or improved overall state.
<b>CI - Output 3.1.4</b> - Number of hectares of land brought under climate-resilient management <b>C</b> (modified current RIMS 1+F44.1.17).		
<b>LEGEND</b>		
<b>SIP</b>	Refers to Specific Indigenous People indicators for IP relevant projects*	
<b>C</b>	Refers to mandatory Climate indicators	
<b>S</b>	The reported data should be disaggregated by the sex of beneficiary ( <b>male or female</b> )	
<b>Lead</b>	The reported data should be disaggregated by the sex of the household's head, SME owner or group leader (as relevant) ( <b>male or female</b> )	
<b>Y</b>	The reported data should be disaggregated by the age status of the beneficiary (" <b>young</b> " or " <b>not young</b> " as per the <u>national definition</u> for youth)	
<b>IND</b>	Means that the number of beneficiary indigenous people needs to be tracked and reported separately*	
<b>P</b>	Means that the reported data should be disaggregated by type of rural finance product ( <b>Loan, Saving, Insurance, Remittances, Others</b> )	
<b>T</b>	Refers to the kind of training supported by the project/program ( <b>Training date, Locality with GPS coordinates, # of trainees</b> )	
<b>I</b>	Refers to the kind of infrastructure works supported by the project/program ( <b>Construction, Rehabilitation/Upgrade</b> )	
<b>J</b>	Refers to the kind of job created by the project/program ( <b>Temporary, Permanent</b> )	
<b>Legal Status</b>	Refers to the specific legal status of FARMS beneficiaries according to FARMS project document report ( <b>Host, Internally Displaced Person (IDP), Refugee, Migrant</b> )	
<b>W</b>	Type of Water Infrastructure (ha under new/improved infrastructures, ha of direct catchment area (up to 100 Km2), ha of farmland under new complementary micro irrigation systems)	
<b>NR</b>	Refers to the specific natural resource that the project/facility is addressing ( <b>Water, Crop Land, Pasture, Forest, Fishery Ground, Mangroves, Marine Areas</b> )	

**Figure 10: Proposed Program Indicators**

34. Furthermore, the program will adopt the Georeference methodology developed in NEN to support implementation and M&E process. Georeferencing of activities will be embedded since design phase into the Project Implementation Manual and will be part of the Monitoring and Evaluation plan of the program.

35. The project will provide precise GPS coordinates and KMZ files of each intervention funded by the convention. Each acquired coordinate and KMZ files will be as well dully archived by the M&E unit.

36. The Project will ensure that all no objection requests related to investments contains clear and official maps in the form of KMZ files. Maps should include clearly the areas of intervention as well as the cadastre maps (if available) and will be provided in the form of annexes to the AWPB and reports.

37. For all activity related to infrastructures including reforestation and canals' maintenance/works the project will include as well, as part of the required documentation, KMZ and if available georeferenced blue prints in the following formats (AUTOCAD compatible). All data and information will be georeferenced and provided in shapefile format if vectorial and in ArcGIS compatible format if raster. All geographic coordinates will be taken in a known projection with preference for WGS84 and in decimal degrees. The full data set of coordinates and KMZ files will represent the geographical distribution and relevance of the Project's intervention in the project areas. The database will be managed by the M&E unit and made available to IFAD at any given moment. Training will be provided to PMU staff if needed. All produced maps will be provided in digital format (ArcGIS or equivalent) with all the metadata and sources of information. All maps shall be reported precisely on Google Earth and delivered as KML/KMZ files format.

38. The program will as well coordinate its georeferencing plan with the TARBIL system established by the Ministry of Food Agriculture and Livestock and will support it with updated information, data and analysis. It is highly recommended to create a project management GIS database according to TARBIL specifications so to ensure real time capture of best practices and lessons learned.

## **IX. Further information required to complete screening, if any**

39. The program will include community land use and natural resource management plans. It is recommended, at midterm review, to annex the above-mentioned plans to the present document so to ensure SECAP's evolution during project cycle as well as to facilitate review of Environment and social auditing.

## **X. Record of consultations with beneficiaries, civil society, general public etc.**

41. As reported in the introduction SECAP review started during the preparation of the COSOP and is therefore divided in two phases: (i) COSOP and (ii) Detailed Design. During COSOP preparations, SECAP team met with the key officials in the following Ministries and departments where the team discussed and gathered documentation on the Government's principal policies programs, strategies and action plans dealing with ENRM and CC issues:

- **Ministry of Development**
  - o General Directorate of Economic Sectors and Coordination
  - o Department of Agriculture
- **Ministry of Environment**
  - o General Directorate of Environmental Management
  - o Department of Climate Change
- **Ministry of Food Agriculture and Livestock**
  - o General Directorate of Agrarian Reform
  - o Department of Land Rehabilitation and Irrigation
  - o Working Group for Externally Financed Projects
  - o Department of Agricultural Environment and Protection of Natural Resources
  - o Working Group for Drought and Climate Change
  - o Working Group for Agricultural Pollution
  - o General Directorate of Food and Control
  - o General Directorate of Livestock
  - o General Directorate of Fisheries and Aquaculture
  - o General Directorate of Agricultural Research and Policies
  - o Department of Soil and Water Resources Research
- **Ministry of Forestry**
  - o General Directorate of Combatting Desertification and Erosion Control
  - o General Directorate of Forestry
  - o Department of Afforestation

42. SECAP team also met with the Technology Development Foundation (TTGV) and the following international agencies and discussed their programs and projects addressing regarding sustainable growth, ENRM and CC: i) World Bank Country Office; ii) FAO/SEC Sub-Regional Office for Central Asia; iii) Delegation of the EU Office and iv) United Nations Development Program. During Detailed Design SECAP team met with representatives of above reported ministries as well as with (i) communities, (ii) representatives of civil society, (iii) private sector and (iv) National/Local Institutions (v) in-

ternational organizations (FAO/UNDP). Each stakeholder has been involved in every step on the design process.

43. During the mission(s) the team met with over 300 persons in the various visited communities ensuring plenary meeting as well as dedicated interviews with groups representing: (i) women, (ii) man, (ii i) youth, (iv) elders. Additionally, State officials from the Ministry of Agriculture, Environment and Forest and Interiors Affaires joined the field mission. Local administrators and functionaries from the various involved ministries have been involved as well. Each step of the mission(s) had been georeferenced and it is available with different media and maps up on request. Annex V of the SECAP report presents a detailed set of maps and tables related to visited areas including tracks of the mission.