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IFAD
Investing in rural people

President's report

Proposed loan and grant to the Republic of Turkey for the Göksu Taşeli Watershed Development Project

Note to Executive Board representatives

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Abbreviations and acronyms

AWPB	annual workplans and budgets
CPMU	central project management unit
FO	farmers' organizations
MAPs	medicinal and aromatic plants
PPMUs	provincial project management units
RB-COSOP	results-based country strategic opportunities programme
SIP	strategic investment plan

Map of the project area

Turkey
Göksu Taşeli Watershed Development Project

Project design

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

IFAD *Map compiled by IFAD* | 28-05-2015

Republic of Turkey

Göksu Taşeli Watershed Development Project

Financing summary

Initiating institution:	IFAD
Borrower:	Republic of Turkey
Executing agency:	Ministry of Food, Agriculture and Livestock
Total project cost:	US$25 million
Amount of IFAD loan:	EUR 15.95 million (equivalent to approximately US$17.89 million)
Amount of IFAD grant:	EUR 0.35 million (equivalent to approximately US$0.4 million)
Terms of IFAD loan:	Ordinary: Maturity period of 18 years, including a grace period of 5 years, with an interest rate per annum equal to 100 per cent of the IFAD reference interest rate
Contribution of borrower:	US$3.85 million
Contribution of beneficiaries:	US$2.86 million
Appraising institution:	IFAD
Cooperating institution:	IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to Republic of Turkey for the Göksu Taşeli Watershed Development Project, as contained in paragraph 32.

Proposed loan and grant to the Republic of Turkey for the Göksu Taşeli Watershed Development Project

I. Strategic context and rationale

A. Country and rural development, and poverty context

1. Socioeconomic background. Turkey is an upper-middle-income country with a population of 74.9 million and a GDP of US$822 billion in 2013 (according to the World Bank). It is a European Union accession candidate and a member of the Organisation for Economic Co-operation and Development (OECD) and the G20. Turkey is an increasingly important donor of bilateral official development assistance and has a functioning market economy.

2. Poverty has declined in Turkey. In the last decade alone, the poverty rate was halved, from 44 per cent in 2002 to 21 per cent in 2011; however, regional income disparities remain. Imbalances persist in socioeconomic structures and income levels across both rural and urban settlements, and across regions. Since 2000, the regional development policy of Turkey has evolved to include enhancing the competitiveness of regions, strengthening economic and social cohesion, and reducing regional disparities. The Tenth Development Plan (2014-2018) aims at directing public investments to areas that prioritize reducing regional development disparities and utilizing their potential for regional development, particularly within the Anatolia region.

3. Agriculture is no longer Turkey's main driver of economic growth: in 2012, it contributed only 9 per cent of the country's GDP. Yet it is still important for rural development, employment (particularly for women, who account for 44 per cent of the labour force), export and manufacturing. In Turkey, farmers fall into two categories: (i) commercialized farmers who use the latest technologies, have links to a wide range of domestic and international information sources, are acutely aware of global trends and consumer preferences, are interested in innovation and are integrated into national and international markets; and (ii) resource-poor farmers who practise subsistence or semi-subsistence farming, and are not business-oriented. The major constraints facing smallholder agriculture are land fragmentation, a lack of input technology, weak producers' organizations and limited access to markets.

B. Rationale and alignment with government priorities and results-based country strategic opportunities programme (RB-COSOP)

4. Turkey's transition to upper-middle-income country status has not ended poverty in the country. In fact, even in relatively prosperous provinces, pockets of poverty remain, particularly in the uplands. For years, the public and private sectors have neither been interested nor able to address the constraints facing smallholder agriculture in upland areas. The proposed project aims to support the Government's efforts to reduce degradation in the upland areas of the Göksu sub-catchment and improve the natural resource base as a means of improving income and livelihoods in upland villages. The project area has suffered from low investment in all sectors,

and continuing low standards of living have resulted in rural outmigration. IFAD's focus on poor and vulnerable farmers in less advantaged areas is therefore highly relevant.

II. Project description

A. Project area and target group

5. The proposed project will be implemented in selected villages within 9 districts in the Konya and Karaman provinces of central Anatolia. These districts are located in the Göksu sub-catchment, one of the four sub-catchment areas in the east Mediterranean watershed. There are 32,000 households living in the project area's 202 villages, with a total population of 114,151 situated in the mountainous zones of these 9 districts. The elevation in this area varies from 600 to 1,800 metres. The majority of the population is engaged in producing fruit and field crops on 166,536 hectares. On average, these farmers each cultivate about 3.5 hectares of fragmented cropland and keep goats (between 30 and 50 heads each). Cultivation is either totally rainfed (the most prevalent) or mostly rainfed, with some irrigated patches (about 15 per cent).

6. The target group. The project will target 32,000 households consisting of productive smallholder farming households, poor households and nomadic households. Productive smallholders include men and women who reside permanently in the uplands and who practise mixed farming, with a marginal to adequate surplus for marketing. Poor households consist of youth and women in search of livelihood opportunities to avoid migration. This group will benefit from direct targeting mechanisms guided by quotas for livelihood support to women in participating in farmers' organizations (FOs) and value chains. The poorest households are nearly landless, not engaged in agricultural production and rely on social assistance. The approximately 120 nomadic households in the project area live on rangelands and engage in small ruminant production and small-scale milk processing for household consumption and sale.

B. Project development objective

7. The overall goal of the project is to reduce rural poverty by supporting economic diversification. The development objective is to increase farmers' incomes through improved agricultural production and marketing activities, and strengthen resilience to climate shocks. The project will also improve the living standards of the nomadic tribes in the Taurus Mountains by improving natural resource management. Outcomes will include: (i) sustainably increased farm productivity; (ii) higher product prices received by smallholder producers; and (iii) climate-resilient natural resource management practices adopted.

C. Components/outcomes

8. The project has three components:

(a) Component 1. Agricultural productivity and natural resource management will improve overall agricultural productivity and profitability by sustainably managing land and water resources in upland areas through good agricultural practices and climate-smart investments that reduce external shocks.

Subcomponent 1.1. Improved agricultural productivity and quality will focus on promising crops upstream in the value chains to bridge critical gaps in order to improve the productivity and quality of cherries, grapes, strawberries and medicinal and aromatic plants (MAPs). Crop selection is based on: (i) local production capacities; (ii) comparative advantages; (iii) the seasonality of supply and demand; (iv) market access and productive potential in different locations; and (v) indigenous knowledge and traditions. Project support will include the introduction of: (i) new crop varieties;

(ii) modern growing techniques (e.g. production in plastic tunnels and a high-wire training system for vineyards); (iii) water-saving irrigation techniques supported by solar energy use (e.g. on-farm drip irrigation); and (iv) agronomic practices that increase production and improve quality. On-farm investments will be provided through the matching grant programme.

Subcomponent 1.2. Natural resource management will promote best practices and introduce adaptation measures for climate-resilient investments in agricultural and grazing lands. The project will assist beneficiaries in developing participatory grazing plans that integrate input from herders. It will also support investments in overnight shelters to protect shepherds from wild animals and inclement weather, scratch posts, salt licks and portable mobile solar panels to provide energy in highland rangelands.

(b) Component 2. Market access enhancement will: increase farmers' incomes through higher farm-gate prices; improve market knowledge and linkages; reduce post-harvest losses; and enhance farmers' ability to meet market demand for quality, volume, regularity, homogeneity, packaging and branding.

Subcomponent 2.1. Capacity-building for marketing will improve the knowledge and skills of small farmers and FOs such as development cooperatives and producers' associations, and raise awareness of the importance of post-harvest activities. Training will be provided on food hygiene and safety, drying and sorting practices to reduce waste and improve quality, and accounting and marketing. Producers' access to commercial extension will be facilitated.

Subcomponent 2.2. Value chain development will finance downstream investments by beneficiaries to support marketing of improved produce under component 1 through the matching grant programme. Enterprises that add value to farm produce and service providers in the value chains will be eligible for project support. With the participation of the beneficiaries and their associations, strategic investment plans (SIPs) will be prepared for each value chain. These plans will serve as an investment framework that guides support to beneficiaries at different stages in the value chain. The SIPs will be developed in full collaboration with farmers, FOs and small and microenterprises for cherries, grapes, strawberries and MAPs. SIPs will guide investments – on- and off-farm – in the following: (i) post-harvest treatments for hygiene and food safety of all value chain products; (ii) drying, grading, sorting and packaging of dried grapes and MAPs; (iii) labelling and branding of newly introduced value chain crops such strawberries and MAPs; and (iv) re-cooling for cherries and cooling for strawberries.

(c) Component 3. Project management.

III. Project implementation

A. Approach

9. The project will be implemented over seven years. As part of a programmatic approach, the project will be the first of two phased over two overlapping cycles of the performance-based allocation system cycles. The approach is also in line with multi-year government plans and programmes. The value chain approach will be adopted as a means of strengthening the long-neglected links between productive poor farmers and markets (given the focus of both the public and the private sector on more prosperous, resource-endowed and less ecologically challenging areas). The project will use the SIP approach, which was introduced in the 2005 Sivas-Erzincan Development Project and has since been used in the Diyarbakir, Batman and Siirt Development Project and the Ardahan-Kars-Artvin Development

Project. The proposed project will enhance the SIP approach by selecting pro-poor value chains with strong potential to benefit from upstream and downstream investments and become replicable and scalable models.

B. Organizational framework

10. The Ministry of Food, Agriculture and Livestock will be the lead implementing agency. The overall management responsibility will rest with this ministry's General Directorate of Agricultural Reform in Ankara, where a central project management unit (CPMU) will be established. Two provincial project management units (PPMUs) will be set up within the ministry's provincial directorates in Konya and Karaman, and will be responsible for day-to-day project management and implementation.

C. Planning, monitoring and evaluation, and learning and knowledge management

11. The investments will be implemented on the basis of annual workplans and budgets (AWPBs) prepared in consultation with beneficiaries, with inputs from SIPs for the identified value chains. Each farmer support team will prepare an annual workplan in collaboration with project beneficiaries in their villages. The PPMUs will review implementation and develop consolidated provincial-level AWPBs. The consolidated provincial AWPBs will be reviewed and incorporated into a project-level AWPB by the CPMU. The AWPBs will be finalized according to procedures agreed upon with IFAD and detailed in the project implementation manual. The AWPBs will be submitted to the General Directorate of Agricultural Reform by the project manager for review and approval by the steering committee, and presented to IFAD on a no-objection basis.

12. Continuous learning and knowledge management will be integrated into the project and mainstreamed into implementation at all levels. The project's knowledge management framework will inform the project learning agenda, including the outputs, outcomes and impacts defined in the logical framework. The Ministry of Food, Agriculture and Livestock already has a computerized management information system in place for tracking the inputs, beneficiaries and productivity of the Government's agricultural support programme; this system will be linked with the project's monitoring and evaluation system. Thematic knowledge products generated through the project – and knowledge management tools such as capacity-building activities, communities of practice and South-South Cooperation initiatives – will be developed and disseminated.

D. Financial management, procurement and governance

13. Financial management. The CPMU will be responsible for financial management, with support from the PPMUs in Konya and Karaman. The project will adopt accounting procedures and policies consistent with international accounting standards and with IFAD and government requirements. The Government of Turkey's Public Expenditures System, developed by the Ministry of Finance, will be used to execute all payments from government counterpart contributions and IFAD loan and grant.

14. Disbursement arrangements and flow of funds. Separate designated accounts denominated in euro will be opened at the Central Bank of the Republic of Turkey for the IFAD loan and grant with an authorized allocation of approximately 12 months of project expenditure. The designated accounts will be replenished using the imprest modality. Withdrawal applications will be prepared by the CPMU every three months or when 30 per cent of the advance has been depleted – whichever occurs first. Details of the disbursement arrangements, including the amounts advanced to the designated accounts, will be specified in the project implementation manual and stated in the letter to the borrower/recipient.

15. Audit. Annual project financial statements will be audited by the Treasury Controller, who currently carries out external audits for all externally financed

projects in accordance with International Standards on Auditing and under terms of reference cleared by IFAD.

16. Governance and financial management risks. A financial management risk assessment of the proposed project and its fiduciary arrangements has concluded that the project's financial management arrangements and internal control systems satisfy IFAD's minimum requirements to: (i) provide accurate and timely information on the progress of project implementation; and (ii) guarantee the separation of functions through multiple independent controls. The assessment rated the residual control risk after the implementation of appropriate risk mitigation measures as low. Fiduciary risk might arise from an initial lack of financial management capacity within the CPMU and the geographical spread of project activities. Mitigation measures include strengthening the internal audit function to include reviews of the use of funds at the village level, recruitment of an experienced senior accountant in the CPMU and finalization of the project implementation manual. The latter two are conditions for disbursement of project funds.

17. Grace period. As per the Government's request, the grace period is five years instead of the standard three-year grace period for loans on ordinary terms.

E. Supervision

18. The project will be supervised directly by IFAD. Supervision and implementation support will be based on IFAD's operational modalities and practices, including those for loan and grant administration, and project implementation support.

IV. Project costs, financing and benefits

A. Project costs

19. The project cost is estimated at US$25 million, of which US$18.21 million (or 72.8 per cent of the total) will be used to finance component 1: agricultural productivity and natural resource management; US$4.74 million (or 18.9 per cent of the total) will finance component 2: market access enhancement; and US$2.05 million (or 8.2 per cent) will finance component 3: project management.

Table 1
Project costs by component and financier
(Thousands of United States dollars)

	IFAD loan		*IFAD grant*		*Beneficiaries*		*Borrower/ counterpart*		*Total*
Component	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*
1. Agricultural productivity and natural resource management	12 474.17	68.5	83.62	0.5	2 226.23	12.2	3 427.53	18.9	18 211.55
2. Market access enhancement	3 962.47	83.7	41.22	0.9	632.64	13.4	100.50	2.1	4 736.83
3. Project management	1 453.36	70.8	275.16	13.4			323.11	15.7	2 051.62
Total	**17 890**	**71.6**	**400**	**1.6**	**2 859**	**11.4**	**3 851**	**15.4**	**25 000**

B. Project financing

20. The total investment and incremental recurrent costs, including physical and price contingencies, will be financed over a seven-year period as follows: IFAD financing will comprise a loan amounting to US$17.89 million and a grant of US$400,000. The Government's contribution will be in the form of a budgetary allocation of US$3.24 million and US$0.61 million in foregone taxes. Project beneficiaries will contribute an estimated US$2.86 million in cash.

Table 2
Project costs by expenditure category and financier
(Thousands of United States dollars)

	IFAD loan		IFAD grant		Beneficiaries		Borrower/ counterpart		Total
Expenditure category	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*
1. Civil works	977.30	37.8			220.55	8.5	1 386.65	53.6	2 584.49
2. Equipment and materials	1 067.30	33.5			467.68	14.7	1 653.86	51.9	3 188.84
3. Goods, services and inputs	7 100.91	79.6			1 538.00	17.2	280.35	3.1	8 919.26
4. Consultancies	397.39	63.8	124.84	34.8			100.50	16.1	622.73
5. Training	3 410.76	92.5	275.16	7.5					3 685.93
6. Workshops	126.85	84.8					22.83	15.3	149.68
7. Grants and subsidies	3 742.78	84.1			632.64	14.2	75.83	1.7	4 451.25
8. Salaries and allowances	709.40	70.8					292.85	29.2	1 001.90
9. Vehicles	89.79	84.8					16.60	15.3	105.95
10. Other operating Costs	267.87	92.4					22.11	7.6	289.98
Total	**17 890**	**71.6**	**400**	**1.6**	**2 859**	**11.4**	**3 851**	**15.4**	**25 000**

C. Summary benefit and economic analysis

21. The overall project analysis resulted in an economic internal rate of return of 17 per cent over 20 years. The project's contribution to economic welfare is derived from: the increased quantity and quality of market-oriented production; better market access; and higher prices resulting from investments in branding and employment along the value chains. The sensitivity analysis shows that the economic internal rate of return remains robust at 10 per cent in the event of a 10 per cent reduction in benefits or a two-year delay in benefits.

D. Sustainability

22. The project is designed to ensure producers' sustainable access to markets through integration into existing and new value chains while maintaining the focus on good agricultural practices and natural resource management. This includes enhancing the quantity and quality of target crops, and providing assistance with modern marketing (including branding) and market information. The introduction of farming as a business for the producers will result in the optimization of land, water and labour resources in the project area. Strengthening FOs through training and capacity-building will enable longer-term and more stable contractual relationships with collectors, processors and exporters. These impacts are expected to last beyond the seven-year project period. Partnerships between producers' groups and the private sector will also be strengthened as a result of improved knowledge management.

E. Risk identification and mitigation

23. At the macro level, the main risks relate to a reduced emphasis on poverty in Turkey and macroeconomic instability. All of the Government's development priorities as outlined in the national and regional development plans and its programmes are aimed at reducing income disparity over the long term. The project area particularly suffers from such disparities; however as a politically stable upper-middle-income country, the prospects for continuing economic growth in the country are sound. Turkey continues to move towards European Union accession and measures to meet standards for trade are being adopted along with stringent environmental protection protocols. The project team has mitigated any risk that the implementing agencies will lack capacity to provide market-oriented information and build capacity by planning for the long-term contracting of a

marketing consultant. The consultant will be tasked with enhancing the private-sector orientation of all stakeholders, including government staff at the central and provincial levels.

V. Corporate considerations

A. Compliance with IFAD policies

24. The project was designed in line with the IFAD Strategic Framework (2011-2015) and IFAD's policies on targeting, gender and environment, and natural resource management. In addition, the 2012 Technical Note on Matching Grants and the Private-Sector Strategy have been utilized to ensure that the project makes the best use of all financial, technical and knowledge products available to IFAD.

B. Alignment and harmonization

25. Turkey is a member of OECD and is chairing the G20 in 2015. The country is an increasingly important donor of bilateral official development assistance. In a large upper-middle-income country like Turkey, IFAD's overall development contribution could seem marginal, particularly considering the size of its considerable development assistance as a donor. There has been demand for IFAD to demonstrate new models, approaches, knowledge products and services, and global reach to mobilize required expertise. New models and approaches used by previous IFAD projects are being mainstreamed by the Ministry of Food, Agriculture and Livestock, including SIPs, which were introduced by the Sivas-Erzincan Development Project in 2005, and also used in the Diyarbakir, Batman and Siirt Development Project and the Ardahan-Kars-Artvin Development Project. The matching grant programme, originally developed by the World Bank for the Village Based Participatory Investments Program in 2004 and mainstreamed by the Ministry of Food, Agriculture and Livestock in 2006, was enhanced by IFAD to make it a pro-poor instrument. Through its knowledge management agenda, this project's CPMU will contribute to better harmonization of donor-funded and government programmes for rural development.

C. Innovations and scaling up

26. IFAD's recent focus on value chains is being integrated into the project as a means to strengthen the links between poor farmers and markets (as a consequence of both the public and private sectors' focus on more prosperous, resource-endowed farmers in less ecologically challenging areas). The project further develops the SIP approach in rural Turkey with the selection of pro-poor value chains. Given the low level of investment in the agricultural sector, the project will promote private-sector investment through the matching grant programme, which facilitates public-private partnerships though a service provider for marketing. It is expected that the business models and innovations proven to be successful through this project will be scaled up with government or other donor support.

27. Producers' climate adaptation capacity will be improved by training in agronomic practices and awareness-raising on natural resource management geared to maximize their incomes within the prevailing climate. Innovations such as integrated pest management, vegetable production under cover, drip irrigation, solar energy, efficient methods for water harvesting and training in natural resource management will improve climate resilience.

D. Policy engagement

28. Turkey does not have a significant bilateral donor presence and IFAD's relatively limited investment does not entail strong policy engagement at the macro level. IFAD's investment has been strategically applied to engage in policy dialogue aimed at influencing the Government's allocation of resources in impoverished areas. Greater strategic focus is needed on the links between poverty reduction and the sustainable management of fragile ecosystems. The establishment of IFAD's

country office in Ankara will be an opportunity to enhance its role in aid effectiveness.

VI. Legal instruments and authority

29. A project financing agreement between the Republic of Turkey and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as appendix I.

30. The Republic of Turkey is empowered under its laws to receive financing from IFAD.

31. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

32. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

> RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of Turkey in an amount equivalent to fifteen million nine hundred and fifty thousand euros (EUR 15,950,000) (equivalent to approximately US$17.89 million), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.
>
> RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of Turkey in an amount equivalent to three hundred and fifty thousand euros (EUR 350,000) (equivalent to approximately US$0.4 million) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement: "Goksu Taseli Watershed Development Project"

(Negotiations concluded on 9 October 2015)

Loan Number: ___________________

Grant Number: __________________

Project Title: Goksu Taseli Watershed Development Project ("the Project")

The Republic of Turkey (the "Borrower/Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), and the Allocation Table (Schedule 2).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014 and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the Loan is Fifteen million nine hundred and fifty thousand Euros (EUR 15 950 000).

   B. The amount of the Grant is three hundred and fifty thousand Euros (EUR 350 000).

2. The Loan shall be subject to interest on the principal amount outstanding at a rate equal to the IFAD Reference Interest Rate, payable semiannually in the Loan Service Payment Currency, and shall have a maturity period of eighteen (18) years, including a grace period of five (5) years starting from the date that the Fund has determined that all General Conditions precedent to withdrawal have been fulfilled in accordance with Section 4.02(b).

3. The Loan Service Payment Currency shall be the Euro (EUR).

4. The first day of the applicable Fiscal Year shall be 1 January.

5. Payments of principal and interest shall be payable on each 1st June and 1st December.

6. There shall be two Designated Accounts in EUR for the purpose of financing the Project opened and maintained in the Central Bank of Turkey.

7. The Borrower/Recipient shall provide counterpart financing for the Project in the amount of approximately three million eighty-five thousand United States Dollars (USD 3.85 million) for Project financing and foregone taxes.

Section C

1. The Lead Project Agency shall be the Ministry of Food Agriculture and Livestock (MFAL).

2. Additional Project Parties are listed in Part II of Schedule 1.

3. The Project Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement.

Section D

The Loan will be administered and the Project supervised by the Fund.

Section E

1. The following are designated as additional general conditions precedent to withdrawal: (a) A qualified Senior Accountant shall have been hired through a competitive process with terms of reference acceptable to the Fund, and (b) the Project Implementation Manual (PIM) shall have been adopted.

2. This Agreement is subject to ratification by the Borrower/Recipient.

3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Prime Ministry of the Republic of Turkey
Undersecretariat of Treasury
Inonu Bulvari No. 36 06510
Emek, Ankara
Turkey

For the Fund:

President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome
Italy

This Agreement, dated _____________, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient.

THE REPUBLIC OF TURKEY

____
Authorized Representative

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

____
Kanayo F. Nwanze
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. Target Population. Project Beneficiaries shall be 32,098 households living in 202 villages with a total population of 114,151. The majority is engaged in fruit and field crop production on 166,536 hectares (of which only 15% is irrigated), and in keeping small flocks of small ruminants. In addition, the Project shall benefit around 120 nomadic households living on rangelands in the Project Area.

2. Project Area. The Project shall be implemented in selected villages of 9 districts of Konya and Karaman provinces of Central Anatolia. The Project Area includes 202 villages that are situated in the mountainous parts of the 9 districts where the elevation varies between 600 meters (m) and 1 800 m (the “Project Area”).

3. Goal. The overall Goal of the Project, as phase one of a two-Project Programme, is to reduce rural poverty by supporting economic diversification through value chain development and sustainable natural resource management.

4. Objective. The Project Development Objective is to increase farmers’ income from improved agricultural production and marketing activities in the targeted area with strengthened resilience to climate shocks. The Project shall also contribute to improving the standards of living of the nomadic Yörük tribes in the highlands of the Taurus Mountains, through capacity building that will assist them to organize for improved management of the common natural resources and investments in animal and rangelands development.

5. Components. The Project shall consist of three Components: (i) Agricultural Productivity and Natural Resource Management, (ii) Market Access Enhancement, and (iii) Project Management.

5.1 Component 1. Agricultural Productivity and Natural Resource Management: This Component will improve overall agricultural productivity and profitability by sustainable management of available and often scarce land and water resources in upland areas through good agricultural practices and climate smart investments that reduce external shocks. There shall be two sub-components: (i) Improved Agricultural Productivity and Quality, and (ii) Natural Resource Management. Improved Agricultural Productivity and Quality will focus on upstream of the value chains (VCs) of promising crops in the Project Area and target gaps critical to improve productivity and quality. Natural Resource Management will promote best practices and introduce adaptation measures for climate resilient investments on agricultural and grazing lands. Under this Component, the counterpart financing will cover expenditure related to investment in Vegetable Production, Efficient Irrigation Practices, Access Roads to Pastures and Terracing on Agriculture Land.

5.2 Component 2. Market Access Enhancement: This Component will increase the incomes of the farmers through higher farm gate prices, and improved market knowledge and linkages. The Project will support farmers to reduce post-harvest losses and add value to accommodate market demands for quality, volume, regularity, homogeneity, range of varieties and packaging and branding. The Component will build on the untapped entrepreneurial capacity of the semi-commercial smallholders and will have two sub components: (i) Capacity Building for Marketing, and (ii) Value Chains Development. Capacity Building for Marketing will improve the knowledge and skills of small farmers and organizations (FOs) where they are members (e.g. development cooperatives, producers' associations). Such improvement is imperative for these producers to ensure remaining competitive and accelerate the shift from "semi-subsistence farming" to "farming as a business". This will be accomplished through extensive training and capacity building for producers and/or the FOs in order for them to make production and marketing decisions that are guided by the value chains of crops that they produce. Value Chains Development will finance, through the Matching Grants Programme (MGP), downstream investments by the beneficiaries in support of the marketing of the improved production and quality under Component 1. Service providers and enterprises that add value to the farm gate or those that provide services to existing and new VCs will be eligible to benefit.

Under components 2 and 3, the counterpart financing will cover expenditures related to developing Strategic Investment Plans and seconded government staff respectively.

II. Implementation Arrangements

1. Project Duration. The Project shall be implemented over seven years. The first year (2016) of implementation will predominantly be dedicated to initial studies, surveys, gap analyses, and demand assessments. Activities in the first year will nevertheless not exclude investment activities as long as they are supported with viable business plans. In the first year, priority will be given to the capacity building, awareness raising, sensitization and comprehensive training of all stakeholders on the approaches and opportunities in the Project. These activities will cover all producers, farmers organizations, Small and Medium Scale Enterprises (SMEs), women, the Yörük, and Project staff at all levels ranging from the Provincial Directorates of MFAL (PDA) and District Directorates of Food Agriculture and Livestock (DDAs) to MFAL in Ankara.

2. Implementation. The Lead Project Agency shall be the MFAL located in Ankara. The overall management responsibility will rest with the General Directorate of Agrarian Reform (GDAR of MFAL) in Ankara where a Central Project Management Unit (CPMU) will be established. The responsibility for field implementation will lie with the Provincial Directorates of Konya and Karaman for the respective implementations in these provinces. To be able to take advantage of experiences gained from various internationally funded projects when it is needed by GDAR technical assistance can be procured from related international agencies which have experience in providing similar technical assistance in project management and coordination.

3. Provincial Project Management Units. Two Provincial Project Management Units (PPMUs) will be embedded in the PDA in Konya and Karaman and will be charged with the day-to-day field management and implementation of the Project. All staff of the CPMU and the two PPMUs will be seconded from the cadres of MFAL. Eight multi-disciplinary Farmer Support Teams (FSTs), each one comprising specialists for field crop production, horticultural production and agricultural economics, where one will be female and will be assigned by the PDA to the PPMUs to carry out extension services and maintain frequent contact with the beneficiaries. Each team will be responsible for one or more districts identified based on their number of villages and the proximity of those to each other and the district centers.

4. Project Parties. Several government agencies are active in the Project Area. Close collaboration and coordination will be sought with the following that are directly related to the objectives of the Project and will complement its rural poverty reduction and marketing enhancement initiatives: (i) the Konya Regional Development Administration (KOP); (ii) the Regional Directorate of Forestry of the Ministry of Forestry and Water Affairs (MFWA); (iii) the Greater Metropolitan Municipality of Konya; (iv) the Governors' Offices of Konya and Karaman as Turkish Employment Agency (İŞKUR) and Ministry of

National Education (MONE); (v) the Mevlana Development Agency (MEVKA); (vi) Agency for Small and Medium-scale Enterprises (KOSGEB), (vii) the German Cooperative and Raiffeisen Confederation (DGRV); (viii) EU Instrument for Pre-Accession Assistance in Rural Development (IPARD) Local Offices in Konya and Karaman; and (ix) the Provincial Chambers of Agriculture and of Trade and Industry.

5. Financial Management. The CPMU shall have overall responsibility for financial management of the Project and shall be supported by PPMUs in Konya and Karaman respectively. The CPMU and PPMUS will be established and housed within existing Ministerial and Provincial Directors bodies. Systematic interventions of internal controllers and auditors will allow for strong internal controls. The CPMU will be staffed with a Senior Accountant recruited competitively and each of the PPMUs shall have an accountant seconded from within the PDAs.

6. Project Implementation Manual (PIM). The CPMU will develop a draft PIM covering all aspects of implementation, management structure, staff terms of reference, financial management arrangements, etc. which will be submitted to the Fund for no objection. The Lead Project Agency shall adopt the PIM substantially in the form approved by the Fund. When the need arises the PIM can be revised at the request of GDAR with the non-objection of the Fund.

Schedule 2

Allocation Table

1. Allocation of Loan and Grant Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant and the allocation of the amounts of the Loan and the Grant to each Category and the percentages of expenditures for items to be financed in each Category. All amounts are 100% net of taxes and counterpart contributions provided by the Borrower/Recipient (as specified in Schedule 1) and contributions from beneficiaries:

	Category	Loan Amount Allocated (expressed in EUR)	Grant Amount Allocated (expressed in EUR)
I.	Works	785 000	
II.	Equipment & Materials	860 000	
III.	Goods, Services & Inputs	5 700 000	
IV.	Consultancies	320 000	110 000
V.	Training & Workshops	2 840 000	240 000
VI.	Grants & Subsidies	3 000 000	
VII.	Salaries and Allowances	570 000	
VIII.	Vehicles and Operating Costs	285 000	
	Unallocated	1 590 000	
	TOTAL	15 950 000	350 000

(b) The terms used in the Table above are defined as follows:

“Consultancies” under category IV of the Grant shall mean eligible expenditures incurred related to International and National Technical Assistance on Marketing Advisory Services.

“Training” under category V of the Grant shall mean eligible expenditures incurred related to international and domestic study tours, and language courses.

“Grants & Subsidies” under category VI of the Loan shall mean eligible expenditures incurred related to Matching Grants Programme (MGP) to Individual Farmers Existing and New Enterprises, Informal Groups, Farmers Associations, New SMEs, etc.

“Vehicles” under category VIII of the Loan shall mean eligible expenditures incurred for rented vehicles and mini-buses.

Logical framework

Narrative Summary	Key Performance Indicators[1]	Means of Verification	Assumptions (A) / Risks (R)
Goal: Reduced rural poverty by supporting economic diversification.	▪ 32,000 households in targeted areas report increased income by 20% ▪ 32,000 households in targeted areas report improvement in assets ownership index by 20% (RIMS level 3)	▪ Baseline and completion survey ▪ State Statistical Committee ▪ Government statistics ▪ UNDP/WB reports	▪ Stable macroeconomic atmosphere (A) ▪ Poverty reduction remains priority agenda
Project Development Objective:			
Increased farmers' income from improved agricultural production and marketing activities in targeted areas with strengthened resilience to climate shocks	▪ Farmers in targeted areas report increased net farm income through improved access to productive infrastructure, financial services and markets by 20%	▪ Baseline & completion survey ▪ Government statistics and TARBIL monitoring ▪ Interviews/focus groups	▪ Programme outcomes stimulate economic growth (A) ▪ Competition weakens robustness of markets (R)
Component 1: Agricultural Productivity and Natural Resource Management			
Outcome 1: Farm productivity sustainably increased	• 8,000 small producers in targeted areas report improved productivity by 20%	▪ Baseline and completion survey ▪ Programme M&E system ▪ MTR ▪ MFAL surveys and reports ▪ TARBIL monitoring	▪ Availability of qualified service providers for group facilitation, training and extension activities (A) ▪ Farmers are willing to invest in development of the farm production capability (A)

[1] The final targets will be validated at base line to be conducted in year one and will be disaggregated by gender.

Narrative Summary	Key Performance Indicators[1]	Means of Verification	Assumptions (A) / Risks (R)
Component 2: Market Access Enhancement			
Outcome 2: Smallholder producers receive higher product prices	• Farm gate product value in the selected Value Chains increase by 30% • Post-harvest losses reduced by 20 % for smallholders producers	• Baseline survey, mid-term and completion reports • MFAL surveys and reports • Records of wholesale and retail markets • Focus groups/interviews • TARBIL monitoring	• Competitiveness of local products are maintained (R) • Continuity of MFAL staff (R)
Outcome 3: Sustainable increase of soil water moisture	• 25% increase in soil moisture is reported.	• Soil testing study	• Climate change is in line with current predictions