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**President's memorandum**  
**Proposed additional financing to**  
**Republic of Türkiye**  
**Uplands Rural Development Programme**

Project ID: 2000001409

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**FOR: APPROVAL**

**Action:** The Executive Board is invited to approve the recommendation for the proposed additional financing contained in paragraph 50.

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- III. Design update note

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## Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower/recipient:</b>	Republic of Türkiye
<b>Executing agency:</b>	Ministry of Agriculture and Forestry
<b>Total programme cost:</b>	EUR 120.4 million
<b>Amount of original IFAD financing (performance-based allocation system [PBAS]):</b>	EUR 35.15 million
<b>Terms of original IFAD financing:</b>	Ordinary: Maturity period of 18 years, including a grace period of 5 years, subject to interest at a rate equal to the IFAD reference interest rate.
<b>Amount of original IFAD grant (loan component grant):</b>	EUR 0.90 million
<b>Terms of original IFAD grant:</b>	Grant
<b>Amount of IFAD additional financing 1 (PBAS):</b>	EUR 19.09 million
<b>Terms of IFAD additional financing 1:</b>	Ordinary: Maturity period of 20 years, including a grace period of 5 years, subject to interest at a rate equal to the IFAD reference interest rate.
<b>Amount of IFAD additional financing 2 (Borrowed Resource Access Mechanism):</b>	EUR 34.06 million (equivalent to US\$40 million)
<b>Terms of IFAD additional financing 2:</b>	Ordinary terms, category 4: maximum maturity period of 12.5 years, including a grace period of 3 years, subject to interest at a rate equal to the IFAD reference interest rate, including a variable spread.
<b>Total contribution of borrower/recipient:</b>	EUR 15.321 million
<b>Total contribution of beneficiaries:</b>	EUR 15.902 million
<b>Amount of IFAD climate finance:</b>	US\$15.399 million
<b>Cooperating institution:</b>	IFAD

## **I. Background and programme description**

### **A. Background**

1. The Uplands Rural Development Programme (URDP) was approved in December 2017 (EB 2017/122/R.26/Rev.1) with a total cost of EUR 98.14 million, comprising an IFAD ordinary term loan of EUR 35.15 million, a grant of EUR 0.90 million, and a financing gap of EUR 32.95 million. Owing to a lower-than-expected allocation, URDP was downscaled to fit within the allocated amount under the Eleventh Replenishment of IFAD's Resources (IFAD11), and a second loan of EUR 19.09 million was approved in December 2020 (EB 2020/LOT/P.11). In 2023, the completion and closing dates of the first loan were extended to 31 March and 30 September 2027, respectively, to align with those of the second loan. Following the devastating earthquakes that hit Türkiye in February 2023, a reallocation of EUR 3.38 million was approved the same year to finance relief activities in response to the disaster. This reallocation entailed the cancellation of component 2 (inclusive rural finance) under both the first and second loans.
2. In response to a request from the Government of Türkiye for additional financing in the amount of US\$75 million to scaling up programme interventions across four additional provinces, this President's memorandum seeks approval for additional financing for URDP in the form of a loan amounting to EUR 34.06 million (equivalent to US\$40 million) on ordinary terms.
3. This President's memorandum includes a detailed design note (see design update note, appendix III), prepared by the design update mission fielded in May 2025.

### **B. Original programme description**

4. The overall goal of the programme is to enhance the prosperity and resilience of upland smallholder farmers. This goal will be achieved through an economic cluster approach that supports the development of competitive farms and agribusiness enterprises that add value, create employment opportunities and transform rural areas through the improved and sustainable use of natural resources.
5. The programme strategy is designed to achieve two complementary outcomes: (i) agribusiness development support through improved natural resource management and higher value addition for rural transformation; and (ii) enhanced smallholder access to financial services. The first outcome will be achieved through component 1 (clustering for resilient rural transformation), which is underpinned by five subcomponents: (i) establishment of multi-stakeholder platforms (MSPs) focusing on social mobilization activities; (ii) development of clusters supporting economic infrastructure, primarily involving civil engineering works; (iii) enhancement of farmers' skills and organizations through training activities; (iv) targeted investment in cluster investment partnerships and income-generating activities undertaken by individual households with co-investment support; and (v) regional branding and geographical indication, including studies of relevant products, quality assessment and certification activities.
6. With the reallocation and cancellation of the entire second component at the request of the Government, the second outcome is no longer being pursued. The relevant funds were reallocated to the earthquake relief package introduced in 2023, providing livestock support to upland farmers and contributing to the first outcome.

## **II. Rationale for additional financing**

### **A. Rationale**

7. Since the design of URDP, the Turkish economy has been jolted by exchange rate shocks experienced in 2018. Some reversals in poverty reduction gains were observed between 2018 and 2020, although the economy began to recover in

2021, contributing to a subsequent reduction in poverty. Nevertheless, the national poverty rate remains 13.6 per cent, and in forest villages it exceeds 43 per cent. Even more concerning, progress in reducing poverty has stalled. Extreme poverty remains largely a rural phenomenon, with around 80 per cent of extremely poor people living in rural areas. There has also been an increase in the number of children not attending school, with poverty identified as one of the causes.

8. The labour force participation rate among women is low at 33.8 per cent, compared with 59.7 per cent among men. The gender income gap in Türkiye is well above that of comparable countries. While Türkiye is a young nation, with over 43 per cent of the population under the age of 30, the youth unemployment rate remains high at 15.5 per cent (2025), and even higher among young women (22.7 per cent).
9. Since the establishment of the customs union with the European Union in 1995, Türkiye has capitalized on emerging market opportunities both nationally and globally. As a result, farmers in coastal areas and the Anatolian plateau have taken advantage of these opportunities and have invested to comply with European Union regulations on food safety, environmental protection and animal welfare. The same is not true, however, for mountainous areas, where farmers face issues such as economies of scale, poor connectivity, fragmented and degraded land plots, and limited exposure to innovation. In addition, with inadequate climate-resilient infrastructure and degraded watersheds, targeted areas remain vulnerable to rising climate risks. These areas also face difficulties in accessing investment programmes and subsidized credit schemes, leaving households trapped in a vicious cycle of low productivity, poverty and youth outmigration to cities. Nevertheless, agriculture has the potential to reduce poverty and strengthen economic resilience in the proposed programme area, which continues to report relatively high poverty rates.
10. While the implementation of URDP was delayed for various reasons, it has emerged as a successful model for tackling development challenges in upland and mountainous areas in Türkiye's Black Sea and Mediterranean regions. This is supported by the findings of the 2023 midterm review mission, which stated that URDP remains highly regarded as a unique opportunity for supporting critical smallholder investments in the programme area, instrumental to the consolidation of agricultural value chains. Similarly, the 2024 supervision mission highlighted the successful scaling up of key interventions such as milk collection centres, cost-effective tented barns and participatory planning through MSPs, which enhanced market access, youth engagement and local ownership. Likewise, the 2023 midterm review showed that the proportion of households reporting an increase in production exceeded the programme target of 15 per cent, while those reporting an increase in the volume of products sold reached 25 per cent. Almost all new job opportunities in the Black Sea region were created through URDP-supported producers' organizations.
11. Furthermore, the partial supervision mission fielded in April 2025 rated the potential for URDP scaling up as satisfactory, given that interventions have delivered visible results and gained traction among government entities, private sector and development partners. In addition, public institutions across environmental and economic ministries have begun to replicate URDP models. Likewise, other donors have started to capitalize on URDP to scale up livelihood and enterprise opportunities. URDP's success stories have also influenced the corporate social responsibility activities of some private sector entities.
12. There are also plans to repurpose the MSPs to monitor URDP investments and support the convergence of other public and private resources for scaling up URDP's success stories and for providing complementary investments. These steps will strengthen the long-term viability of scaled-up interventions and ensure

sustained impact following programme completion, while contributing to more integrated agricultural development planning at the provincial level.

13. IFAD is extremely well placed to serve the target group identified under the proposed additional financing for scaling up the programme in new provinces and has a clear comparative advantage in identifying and responding to their needs. In doing so, it will contribute to revitalizing the wider rural economy and strengthening its resilience to increasing climate shocks. The programme will further promote an inclusive approach, under which women, youth and very poor households will be specifically targeted for inclusion. In addition, under phase III, URDP will strengthen climate change adaptation across investment sectors through the integration of climate and environmental analysis within cluster investment plans and infrastructure design. Moreover, the programme will support access to renewable energy and measure progress, inter alia, by the land brought under climate-resilient practices.
14. Building on the experience gained under URDP and other IFAD-funded projects, and adapting to the needs of the new provinces to be reached in phase III, while remaining within the broader design framework of URDP, several changes and innovations have been identified as part of the lessons learned (see design update note, paras. 59–63) and incorporated into the implementation methodology to be applied during the scaling up phase.

**Special aspects relating to IFAD’s corporate mainstreaming priorities**

15. The programme area is highly vulnerable to climate and environmental risks that could negatively affect the supported value chains. The programme will strengthen climate change adaptation through climate-resilient cluster investment plans, sustainable resource use, climate-resilient infrastructure and improved access to climate-resilient services and inputs.
16. In line with IFAD’s mainstreaming commitments, the programme has been validated as:

☒ Including climate finance

**B. Description of geographical area and target groups**

17. URDP interventions implemented under phases I and II have targeted the upland and transitional areas, where farmland and pastures lie above 600 metres and most forest villages are located. During phase III, URDP will be scaled up in similar locations across four additional provinces, namely, Afyonkarahisar, Karabük, Kayseri and Kütahya. Of these, two are contiguous with the existing programme area, while the remaining two display similar characteristics. Altogether, 28 districts will be brought under URDP. The selection of the four new provinces was guided by criteria designed to address pressing development challenges. Districts were selected using a model developed to determine rural disadvantaged areas, combined with environmental and climate vulnerability screening. A vast majority (78 per cent) of the districts to be financed by IFAD represent underserved and least developed areas. Overall, the target areas consist of 837 villages, which will be selected at the start of the programme in close consultation with relevant stakeholders.
18. **Beneficiaries and outreach.** Despite delays in implementation during the initial years (design update note, paras. 27–28), URDP has expanded its outreach satisfactorily (design update note, paragraph 15). With additional financing for phase III, URDP aims to increase its direct outreach to 64,000 persons, distributed across 24,000 households in the four new provinces. Of the beneficiaries, 50 per cent will be women and 30 per cent youth – substantially higher than the original design targets of 30 per cent and 10 per cent, respectively. The final outreach target of the programme by 31 March 2030 is 119,000 persons across

71,400 households. Including all members of the beneficiary households, URDP is expected to benefit nearly 250,000 people by full completion in March 2030.

19. **Target groups.** Within the rural communities, URDP targets three primary groups:
  - (i) Economically active poor households, including small-scale mixed farmers, semi-settled/transhumant Yörük pastoralists, and young rural entrepreneurs who rely on agriculture, forestry, remittances and off-farm work, and typically earn below Turkish lira (TRY) 2,000 per month, as amended from time to time;
  - (ii) Economically active smallholders and small-scale processors with growth potential, who have greater access to land, livestock and productive capacity than the poorest households, and whose monthly income is above TRY 2,000, as amended from time to time; and
  - (iii) Transformation drivers, positioned at least one step higher in the agricultural value chain, who can serve as aggregators and demonstrate the viability of new approaches.
20. In strengthening inclusivity, the main targeting mechanism in phase III provinces will be self-targeting. However, direct interventions are planned, with specific quotas set to support vulnerable groups and those at risk of exclusion. Within the target group, the lowest-income households practising subsistence agriculture, and those most vulnerable to poverty and negatively affected by shocks and disasters, will be considered for directly targeted interventions. These will mainly support vulnerable women, receiving 100 per cent grant support under livelihood support packages; poor and vulnerable transhumant pastoralists, with matching grant support of up to 80 per cent from the programme; and youth. Youth will also receive dedicated training in income generation, business development and demonstration (800 youth, of whom 50 per cent are women). It is expected that 380 youth will be receive start-up package support grants for self-employment.
21. URDP will also contribute substantially to reducing the drudgery of women and youth through the introduction of energy-saving technologies and mechanization.

### **C. Components, outcomes and activities**

22. With the cancellation of the second component, URDP, as restructured in 2023, now has one substantive component (clustering for resilient rural transformation) underpinned by five subcomponents. Phase III will introduce no major changes to the component or subcomponents, as the expected outcomes remain relevant to the needs of the target group. Phase III will therefore build on the successful URDP model as originally designed, while introducing innovations to enhance efficiency, effectiveness, sustainability, climate integration and social inclusion.
23. Key changes introduced, based on the lessons learned (design update note, paras. 59–63), include: (i) a sharper focus on the inclusion of the poorest and most vulnerable households, as well as women and youth; (ii) a substantial increase in resources allocated for the co-investment in income-generating activities and for irrigation to boost productivity; (iii) the introduction of collective infrastructure, nature-based solutions and digital tools to improve natural resource management and address key issues identified; (iv) upfront arrangements for sustainability, governance and resource mobilization when undertaking feasibility studies and designing schemes, thereby improving the convergence of resources; and (v) greater use of online training and digital tools to enhance effectiveness and efficiency.
24. Economic development clusters remain the entry point for engagement aimed at addressing local challenges and developing key value chains. In phase III provinces, 30 economic development clusters will be selected and supported through the establishment of MSPs, following an intensive social mobilization

process. Each economic development cluster will require a strategic investment plan tailored to selected priority sectors such as arable crops (cereals, legumes and pulses), tree crops (nuts and fruits), vegetables, berries, honey, live animals, pasturelands, idle land, milk, food and feed products. A participatory value chain assessment will identify priority commodities and diagnose environmental, economic and climate-related constraints and opportunities, as well as develop an investment and financing plan by source. A long-term exit and sustainability strategy will be developed at the outset and implemented alongside the operationalization of the plan for each major investment.

## D. Costs, benefits and financing

### Programme costs

25. With the downscaling and approval of the additional financing in 2020, together with the extension of the programme period under the first loan, phases I and II of URDP will be implemented over nine years, with an estimated total cost of EUR 73.50 million and IFAD financing of EUR 55.144 million. The proposed scaling up of URDP in four new provinces will be implemented over three years, at an estimated total cost of EUR 46.03 million, of which EUR 34.06 million will be financed by IFAD. Over a 12-year period, covering three phases, the total programme cost will amount to EUR 120.4 million, of which approximately EUR 89.2 million will be IFAD-financed.
26. Over the three phases of URDP, component 1 (clustering for resilient rural transformation) will account for 86.5 per cent of total costs, while programme management and coordination represent 13.5 per cent. Of the IFAD additional financing, 96 per cent will be allocated to investment activities with only 4 per cent earmarked to cover recurrent costs.
27. The programme includes climate adaptation finance and builds the adaptive capacity of smallholder farmers, with a validated amount of US\$15,399,000 identified as IFAD climate change finance, representing 44.7 per cent of the total IFAD programme cost, compared with the corporate target of 45 per cent for climate finance. Activities under subcomponents 1.2, 1.3, 1.4 and 1.5 have been counted as adaptation finance.

Table 1

### Original financing and additional loans summary

(Thousands of euros)

	<i>Original financing</i>	<i>First additional loan</i>	<i>Second additional loan</i>	<i>Total*</i>
IFAD loans	35 152	19 094	34 060	88 304
IFAD grant	901	-	-	900
Financing gap	32 948	(32 948)	-	-
Kredi Garanti Fonu	2 500	(2 500)	-	-
Beneficiaries	10 940	(3 001)	9 317	15 902
Borrower/recipient	15 702	(5 289)	2 656	15 321
<b>Total</b>	<b>98 143</b>	<b>(24 644)</b>	<b>46 033</b>	<b>120 427</b>

\* Due to the restructuring of the programme in 2023, the beneficiaries' contribution is EUR 1,354,000 lower, and the borrower's contribution is EUR 2,252,000 higher than the total figures above. The IFAD loans and grant have been adjusted due to rounding.

Table 2

### Second additional loan: programme costs by component and financier

(Thousands of euros)

<i>Component</i>	<i>IFAD loan</i>		<i>Beneficiaries</i>			<i>Borrower</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Cash</i>	<i>In-kind</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
1. Clustering for resilient rural transformation	32 858	96	5 590	3 727	100	-	-	42 175
2. Programme management	1 202	4	-	-	-	2 656	100	3 858
<b>Total</b>	<b>34 060</b>	<b>100</b>	<b>5 590</b>	<b>3 727</b>	<b>100</b>	<b>2 656</b>	<b>100</b>	<b>46 033</b>



Table 3

**Second additional loan: programme costs by expenditure category and financier**  
(Thousands of euros)

<i>Expenditure category</i>	<i>IFAD loan</i>		<i>Beneficiaries</i>			<i>Borrower</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Cash</i>	<i>In-kind</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
Investment costs								
Consultancies, training and workshops	1 424	4	-	-	-	25	1	1 449
Goods, services and equipment	460	1	-	-	-	-	-	460
Grants and subsidies	24 793	73	5 590	3 727	100	-	-	34 110
Works	6 064	18	-	-	-	-	-	6 064
<b>Total investment costs</b>	<b>32 741</b>	<b>96</b>	<b>5 590</b>	<b>3 727</b>	<b>100</b>	<b>25</b>	<b>1</b>	<b>42 083</b>
Recurrent costs								
Operating costs	1 319	4	-	-	-	2 631	99	3 950
<b>Total recurrent costs</b>	<b>1 319</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 631</b>	<b>99</b>	<b>3 950</b>
<b>Total</b>	<b>34 060</b>	<b>100</b>	<b>5 590</b>	<b>3 727</b>	<b>100</b>	<b>2 656</b>	<b>100</b>	<b>46 033</b>

Table 4

**Programme costs by component and by year**  
(Thousands of euros)

<i>Component</i>	<i>2020–2024</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>	<i>2028</i>	<i>2029</i>	<i>2030</i>	<i>Total</i>
1. Promotion of upland economic development clusters	27 706	18 807	16 932	14 745	14 141	11 589	197	104 117
2. Programme management	11 213	1 040	1 104	917	823	815	398	16 310
<b>Total</b>	<b>38 919</b>	<b>19 847</b>	<b>18 036</b>	<b>15 662</b>	<b>14 964</b>	<b>12 404</b>	<b>595</b>	<b>120 427</b>

**Financing and cofinancing strategy and plan**

28. The programme will be financed through: (i) an original IFAD loan of EUR 35.15 million; (ii) a first additional loan of EUR 19.09 million; (iii) an IFAD grant of EUR 0.9 million; (iv) a second additional loan of EUR 34.06 million, to be proposed to the IFAD Executive Board through a lapse of time procedure in 2025; (v) a contribution from the Republic of Türkiye, estimated at EUR 15.3 million; and (vi) beneficiaries' contributions, estimated at the equivalent of EUR 15.9 million. The government contribution will be provided both directly (through tax exemptions) and indirectly, in-kind (for example, through the secondment of personnel). Beneficiaries will cofinance the privately shared economic infrastructure and the youth entrepreneur start-up packages (25 per cent of investment costs) and the cluster investment partnerships (30 per cent of investment costs).

**Disbursement**

29. The Survey and Projects Department (SPD) under the General Directorate of Agrarian Reform (GDAR), following the established practice under phases I and II loans, will request funds from IFAD directly by submitting withdrawal applications through the IFAD Client Portal. Funds will be deposited into the programme designated account to be opened at the Central Bank, in the borrowing currency. In addition, two operating accounts in local currency will be opened – one to receive transfers from the corresponding designated account and the other to deposit the government contribution. The programme will withdraw funds from IFAD using the report-based disbursement mechanism, utilizing six-monthly cash forecasts. Withdrawal applications will include the quarterly interim financial reports, and other documents as specified in the financial management and financial control arrangements letter.

**Summary of benefits and economic analysis**

30. **Economic benefits.** URDP will generate numerous tangible socioeconomic benefits, including: (i) increased agricultural and animal production; (ii) higher incomes and expanded economic opportunities; (iii) enhanced market access; (iv) reduced asymmetry of technical and market information among value chain

actors; (v) longer-term multiplier effects from strengthened capacities of smallholders and their organizations; (vi) greater social and economic inclusion of youth and women; (vii) restored and improved water productivity; (viii) higher resilience to climate and economic shocks; and (ix) more sustainable and inclusive private sector rural growth. These mutually reinforcing benefits will stem from the innovative economic clustering approach, which seeks to overcome the fragmented and inconsistent production systems that have caused commercial isolation and limited value addition in the uplands.

31. **Financial analysis.** The financial internal rate of return for the 18 models prepared to estimate returns on various types of cluster investment partnerships, youth start-up packages, and infrastructure construction and rehabilitation (irrigation schemes, livestock markets and dairy centres) ranges from 22 to 43 per cent, demonstrating financial soundness.
32. **Economic analysis.** The programme is expected to generate a net present value, at 6 per cent social discount rate, estimated at EUR 107.5 million, and an economic internal rate of return of 23 per cent over a 20-year period. These economic results are highly satisfactory, particularly given that some benefits could not be quantified and were therefore excluded from the calculations. Moreover, these results exceed those estimated at the original design stage (economic internal rate of return of 14.5 per cent). Sensitivity analysis indicates that the economic results are robust under all tested adverse scenarios.

#### **Exit strategy and sustainability**

33. In phase III, the sustainability features and mechanisms envisaged in the original design will be strengthened where necessary. In particular, emphasis will be placed on: (i) supporting beneficiaries' transition from semi-subsistence to more commercialized agriculture, aligned with enhanced safeguards and regulatory requirements (e.g. food safety, chemical use, manure management, water use); (ii) achieving a balanced combination of infrastructure investments and on-farm developments, enabling greater agricultural productivity, profitability and climate resilience; (iii) strengthening social mobilization and grassroots institutions; and (iv) increasing support for training, technical assistance, aggregation and marketing.
34. Sustainability is being integrated into the design of the cluster-supportive infrastructure component, while the exit strategy will be integral to the feasibility study and design plans. Furthermore, environmental sustainability and climate resilience have been strengthened through the systematic development of tailored environmental and social management plans during the feasibility and design phase, to address environmental, social and climate risks that can threaten the sustainability of benefits. In terms of institutional sustainability, most aspects of URDP will continue to be implemented through the existing organizational structure of GDAR, with the recruitment of additional staff kept to the minimum. In addition, strengthening farmers' organizations will remain a priority.

### **III. Risk management**

#### **A. Risks and mitigation measures**

35. At the macro level, while the inherent risk associated with political commitment, fragility and security are assessed as moderate, governance and macroeconomic risks are rated as substantial. The analysis also indicates a high level of country ownership which, combined with reduced economic imbalances and renewed confidence, as noted by the International Monetary Fund (IMF) in its most recent assessment,<sup>1</sup> renders these risks acceptable. Risks related to relevance, sector strategies and policies, and institutional capacity for implementation and

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<sup>1</sup> IMF. 2024. [Article IV consultation](#).

sustainability are considered low to moderate, and no risk is envisaged regarding technical soundness. Overall, implementation risks are perceived to be moderate at most, and will be further reduced by: (i) better aligning phase III activities with ground realities; (ii) increasing the relevance of URDP to the poorest and most vulnerable households by allocating a higher proportion of IFAD resources in their favour; and (iii) adopting an adaptive and proactive approach to programme management.

## **B. Environment and social category**

36. The proposed additional financing has been categorized as moderate in terms of environmental and social risk. Risks related to biodiversity loss, pollution from agrochemical use, soil erosion and water overuse are present but can be mitigated through the application of maximum thresholds for infrastructure development, and through established safeguards and good agricultural practices. Social risks include elite capture, the potential exclusion of vulnerable groups, inconsistent application of labour regulations in the informal and small-scale agricultural sector, limited economic displacement due to infrastructure development, and certain community health risks. Child labour, sexual harassment and gender-based violence are not anticipated. Overall, the programme operates within a framework of established safeguards mostly aligned with IFAD's standards, supported by strengthened programme management unit (PMU) capacities (Social, Environmental and Climate Assessment Procedures [SECAP] rating: 4). However, as the additional financing will be implemented in new provinces, the SECAP review note, the environmental, social and climate management framework and the social, environmental and climate assessment procedures have been updated to align with SECAP 2021 standards. The programme excludes activities with irreversible or large-scale impacts and does not trigger involuntary resettlement or cultural heritage issues.

## **C. Climate risk classification**

37. The climate risk classification for the programme is assessed as **moderate**. The programme covers provinces exposed to climate-related hazards such as drought, irregular precipitation and land degradation. In addition, the proposed investments are vulnerable to climate change impacts. The agricultural sector also remains quite dependent on fossil fuels, with livestock and dairy production being net emitters. The programme will integrate climate and environmental analysis into cluster investment plans and infrastructure designs. Targeted diagnostics and advisory systems, with capacity-building, climate-resilient designs and demonstrations, will help to address gaps in localized vulnerability data and improve the reach of existing services to more underserved groups.

# **IV. Implementation**

## **A. Compliance with IFAD policies**

38. The phase III design of URDP is fully aligned with, and contributes directly to, Türkiye's Vision 2053. It is also closely aligned with the Twelfth Development Plan (2024–2028), the Climate Change Mitigation Strategy and Action Plan (2024–2030), the Climate Change Adaptation Strategy and Action Plan (2024–2030), and relevant sections of the Climate Law, adopted on 2 July 2025, which aims to protect the country from environmental disasters and the negative effects of the climate crisis, and other key sectoral strategies. The programme will also help to meet increasing European Union regulations and trade requirements.
39. During the remaining two years of phases I and II, and throughout the implementation period of phase III, full alignment will be sought with the strategic objectives of the country strategic opportunities programme 2025–2030, while maintaining the focus on forest villages in mountainous areas. Renewed emphasis will be placed on nature-based solutions, including enhanced climate adaptation

and mitigation measures related to basin management, pasture improvement, climate-smart agriculture, green infrastructure, green energy and carbon sequestration.

## **B. Organizational framework**

### **Management and coordination**

40. URDP is currently implemented under the leadership of the Ministry of Agriculture and Forestry through GDAR. Within GDAR, the SPD serves as the central PMU, responsible for the overall programming and budgeting of URDP activities and for leading the facilitation of implementation. Below the central PMU, two regional PMUs have been established to oversee and guide implementation across the eight current provinces. Implementation in each province is led by the respective provincial PMU, supported on the ground by field support teams.
41. Changes to the management systems will be kept to a minimum during the remainder of the URDP implementation period, while a dynamic management approach will be adopted to reduce overhead costs and to enhance efficiency. Accordingly, the organizational structure will evolve in line with the phasing in and phasing out of provinces. Once phase III implementation starts, provincial PMUs will be created in the new provinces of Kayseri and Karabük, operating under the supervision of the regional PMUs. In Kütahya and Afyonkarahisar, strengthened provincial PMUs, operating directly under the central PMU, will be established. When the regional PMUs are phased out, the provincial PMUs previously under their supervision will also be strengthened to operate directly under the central PMU (design update note, paras. 202–203).

### **Financial management, procurement and governance**

42. The financial management assessment of the SPD concluded that the financial management risk is **moderate**, owing to risks related to the outsourcing of financial and procurement support and potential liquidity shortfalls. The SPD will continue to use its well-functioning financial management structure, which is mainly outsourced to the United Nations Development Programme (UNDP). Several mitigation measures have been put in place to strengthen financial management performance (design update note, paras. 172–174). The ongoing URDP has a reliable internal control framework covering financial transactions, authorization processes, segregation of duties and documentation of programme expenditures. Technical support for the current URDP is provided by the memorandum of understanding (MoU) signed between the Ministry of Agriculture and Forestry and UNDP. Under this MoU, UNDP is responsible for financial planning, management and control, and procurement, including the recruitment of human resources. The same implementation modality will continue under phase III, with a new MoU to be signed between the Ministry of Agriculture and Forestry and UNDP, subject to IFAD's approval.
43. Of the three aspects of the procurement-related risk, two are assessed as moderate. The rigorous application of IFAD policies, along with the use of reporting hotlines and self-certification, is expected to render accountability-related risks acceptable. Procurement under the programme will adhere to the following principles: it will be conducted within the implementation period specified in the financing agreement; limited to the value of funds allocated and available in the annual workplan and budget (AWPB); aligned with the approved procurement plan; aimed at achieving best value for money and fit-for-purpose outcomes; and conducted in accordance with the financing agreement and any subsequent amendments.

## **C. Monitoring and evaluation, learning, knowledge management and strategic communication**

44. A results-based approach to the monitoring and evaluation (M&E) system will continue to measure progress against AWPB targets and to report periodically on progress towards impact achievement. While the IFAD core outcome indicators will guide the periodic surveys at baseline, midterm and completion to assess programme results and outcomes, a georeferencing methodology will be established during phase III to support implementation and M&E processes.
45. **Knowledge management.** URDP phase III will continue to invest in evidence-based knowledge management systems that support both programme implementation and policy development processes. The knowledge management activities will emphasize lesson-learning through exchanges with government counterparts and external stakeholders, and through South-South and Triangular Cooperation, and partnerships with the private sector and research institutions. To this end, various knowledge management products and platforms, such as publications, communities of practice, and instructional and documentary videos, will be disseminated.

## **D. Proposed amendments to the financing agreement**

46. Subject to approval, a new bilateral financing agreement will be signed between the Republic of Türkiye and IFAD for the implementation of the additional financing.

## **V. Legal instruments and authority**

47. A financing agreement between the Republic of Türkiye and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient.
48. The Republic of Türkiye is empowered under its laws to receive financing from IFAD.
49. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## **VI. Recommendation**

50. I recommend that the Executive Board approve additional financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of Türkiye for an amount of thirty-four million sixty thousand euros (EUR 34,060,000) (equivalent to US\$40,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario  
President

## Updated logical framework incorporating the additional financing

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outreach</b> Number of persons receiving services promoted or supported by the project (men/women) and corresponding households (based on 3.5 members average HH size)	<b>1 Persons receiving services promoted or supported by the project</b>				M&E Reports	Annual	M&E Unit, PMU	
	Males – Males	0	48088	78500				
	Females – Females	0	24038	40500				
	Young - Young people	0	9613	16700				
	Total number of persons receiving services	0	72126	119000				
	<b>1.a Corresponding number of households reached</b>				M&E system - beneficiaries data base	BL, MTR, PCR	M&E Unit, PMU	
	Households - Households		42000	71400				
	<b>1.b Estimated corresponding total number of households members</b>				M&E Reports	Annual	M&E Unit, PMU	
	Household members - Number of people		147000	249900				
<b>Project Goal</b> Enhance prosperity and resilience of upland smallholder farmers	<b>Percentage reduction in the number of households at risk of poverty or social inclusion</b>				BL, MTR, Impact assessment survey	BL, MTR, PCR	PMU	Government of Türkiye willing to allocate finance, manpower and technical expertise. Poverty reduction remains a priority agenda
	Reduction in the number of households at risk of poverty or social inclusion - Percentage (%)	0	15	40				
<b>Development Objective</b> Strengthen the resilience of upland communities, especially youth, and improve their integration into markets.	<b>Households reporting an increased income</b>				BL survey, MTR and Impact assessment	BL, MTR, PCR	PMU	Continued social, political and economic stability in the country and no major sustained disruption to market access to major export markets.
	Households - Percentage (%)	0	30	90				
	Youth - Percentage (%)		10	10				
	<b>Value (in EUR '000) and increase in the volume of priority products marketed through economic infrastructure of the clusters (%)</b>				EFA	MTR, PCR	UGP	
	Increase in volume of products marketed - Percentage (%)		25	30				
	Value of products in EUR	0	30000	47000				
<b>Outcome</b> Outcome 1. Strengthened economic development clusters through sustainable increase in production and market linkages	<b>1.2.4 Households reporting an increase in production</b>				COI HH and beneficiary survey	MTR, PCR	M&E Unit	External socio-economic factors do not disrupt MSPs; Sufficient interest from private sector in MSPs across all priority commodity clusters; Rural organizations supported by the project that have developed better or more diversified services for their members, such as access to storage, processing, marketing facilities, credit provision, inputs and equipment purchase, technical assistance, grouped sales. Includes new services, as well as existing ones that were improved due to strengthened organizational capacities.
	Total number of household members	0	25750	96360				
	Households - Percentage (%)	0	15	40				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Households - Households	0	9300	28560				
	<b>Percentage of households having established market linkages within Economic Development Clusters (EDC)</b>				COI HH and beneficiary survey	MTR, PCR	M&E Unit	
	Households - Percentage (%)	0	25	65				
	<b>2.2.5 Rural producers' organizations reporting an increase in sales</b>				COI HH Survey	MT, End	M&E Unit and Service Provider	
	Number of Rural POs		32	68				
	Rural POs - crop		23	51				
	Rural POs - livestock		9	17				
	<b>2.2.4 Supported rural producers' organizations providing new or improved services to their members</b>				COI HH Survey	MT, End	M&E Unit and Service Provider	
	Number of POs		6	16				
	Total number of POs members - Number of people		300	800				
	<b>2.2.1 Persons with new jobs/employment opportunities</b>				COI HH Survey	MT, End	M&E Unit and Service Provider	
	Males - Males		120	240				
	Females - Females		40	80				
	Young - Young people		80	160				
	Total number of persons with new jobs/employment opportunities		160	320				
<b>Output</b> 1.1 Number of EDCs established	<b>Policy 2 Functioning multi-stakeholder platforms supported</b>				MSP meetings reports	Annual	PMU	
	Number - Platforms	0	28	53				
<b>Output</b> 1.2 Supported EDCs infrastructure	<b>Value of infrastructure constructed/ rehabilitated (million Euro)</b>				Progress reports	Annual	PMU	Other Ministries willing and able to increase coordination to harmonize support to target communities.
	Value of infrastructures (million Euro)	0	18	36				
	<b>2.1.6 Market, processing or storage facilities constructed or rehabilitated</b>				M&E system	Annual	M&E Unit, PMU	
	Total number of facilities	0	5	19				
	Market facilities constructed/rehabilitated	0	1	10				
	Processing facilities constructed/rehabilitated		4	9				
	<b>2.1.5 Roads constructed, rehabilitated or upgraded</b>				Progress reports	Annual	PMU	
	Length of roads - Km		5	10				
	<b>1.1.2 Farmland under water-related infrastructure constructed/rehabilitated</b>				Progress reports	Annual	PMU	
	Hectares of land - Area (ha)		2160	5975				
<b>Output</b> 1.3 Farmers/ organizations capacitated	<b>1.1.4 Persons trained in production practices and/or technologies</b>				Training reports	Annual	M&E Unit, PMU	Uptake from rural entrepreneurs / farmers sufficient and Outreach of media and awareness campaigns effective in mobilizing clusters. Financial literacy trainings included.
	Men trained in crop		523	1040				
	Women trained in crop		431	861				
	Young people trained in crop		203	404				
	Men trained in livestock		77	153				
	Women trained in livestock		77	153				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Young people trained in livestock		46	92				
	Total persons trained in crop		954	1901				
	Total persons trained in livestock		154	306				
	<b>2.1.2 Persons trained in income-generating activities or business management</b>				M&E system, Service Provider records	Annual/Semi-annual	M&E Unit, PMU	
	Males		2949	6514				
	Females		1997	4258				
	Young		700	1488				
	Persons trained in IGAs or BM (total)		4946	10772				
	<b>Number of entrepreneur start-up package for trained youth</b>				M&E system + Progress reports	Annual	M&E Unit, PMU	
	Entrepreneur start-up package		60	180				
	<b>Number of persons having access to improved digital services</b>				M&E system	Annual	M&E Unit, PMU	
	Total number of people		1000	8000				
Outcome Outcome 2. Improved resilience of upland communities (including youth)	<b>Ability to recover from Shocks (ATR Indicator)</b>				COI HH Survey	MT, End	M&E Unit and Service Provider	
	Percentage of HHs reporting improved ability to recover from shocks		5	15				
	<b>3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</b>				COI HH Survey	MT, End	M&E Unit and Service Provider	
	Total number of household members		8784	17567				
	Households - Percentage (%)		40	80				
	Households - Households		2510	5019				
	<b>1.2.2 Households reporting adoption of new/improved inputs, technologies or practices</b>				COI HH Survey	MT, End	M&E Unit and Service Provider	
	Total number of household members		3137	6274				
	Households - Percentage (%)		40	80				
	Households - Households		3137	6274				
	<b>2.2.6 Households reporting improved physical access to markets, processing and storage facilities</b>				COI HH Survey	MT, End	M&E Unit and Service Provider	
	Households reporting improved physical access to markets - Percentage (%)							
	Households reporting improved physical access to processing facilities - Percentage (%)							
	Households reporting improved physical access to markets		1900	4100				
	Households reporting improved physical access to processing facilities		800	1800				
<b>Output</b> 2.1 Individual	<b>3.1.4 Land brought under climate-resilient practices</b>				M&E system and GIS	Annual	M&E Unit, PMU	Climate change is in line with current predictions



Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Investments for the Development of the Value Chain (including climate resilient and renewable energy)	Hectares of land - Area (ha)	0	400	2300				
	<b>Number of households benefitting from disaster relief</b>				M&E system	Annual/Semi-annual	M&E Unit, PMU	
	Households - Number	0	0	200				
	<b>1.1.3 Rural producers accessing production inputs and/or technological packages</b>				M&E system	Annual/Semi-annual	PMU	
	Males		3285	5756				
	Females		2015	3681				
	Young		956	1794				
	Total rural producers		5300	9437				
	<b>3.1.1 Groups supported to sustainably manage natural resources and climate-related risks</b>				M&E system	Annual/Semi-annual	M&E Unit, PMU	
	Total size of groups - Number of people		290	775				
	Groups supported		6	16				
	Males							
	Females							
	Young							
	<b>2.1.3 Rural producers' organizations supported</b>				M&E system	Annual/Semi-annual	M&E Unit, PMU	
	Total size of POs		3587	7100				
	Rural POs supported		46	81				
	Males		2271	4330				
	Females		1316	2770				
	Young		599	1350				
	<b>Number of vulnerable group support package</b>				M&E system	Annual/Semi-annual	M&E Unit, PMU	
	Vulnerable group support package - Number		350	750				
<b>Output</b> 2.2 Branding and promotion of upland produce	<b>Number of products branded based on geographical origin</b>				M&E system + Project records	Annual	PMU	
	Number of products branded -	0	3	13				
	<b>Number of Private-Public partnership established to support the branding process</b>				Progress reports	Annual	PMU	
	Private-Public partnership established - Number		0	1				

## Updated summary of the economic and financial analysis

Table A

### Financial cash flow models

Table 5. Summary of financial returns from URDP grant support

Category	Model	Net incremental benefits (EUR/unit/year)*	Net present value (@12.5%, 10/15/20-year, EUR)	IRR (%)	B/C
Cluster investment partnerships	Walnut garden	10,793	26,290	43.2%	2.3
	Hazelnut garden	3,774	11,523	31.3%	2.0
	Strawberry garden	1,519	2,846	32.2%	1.2
	Vegetable greenhouse	2,026	2,620	22.1%	1.2
	Beekeeping	2,111	4,201	25.8%	1.2
	Goat fattening	984	1,696	28.0%	1.1
	Cattle rearing	3,814	9,399	26.7%	1.6
Entrepreneur start-up package for trained youth	Strawberry garden	1,669	3,681	37.8%	1.2
	Vegetable greenhouse	2,205	3,677	25.0%	1.3
	Beekeeping	5,596	8,719	32.4%	1.2
	Cattle rearing	6,883	16,693	23.6%	1.3
Pastoral livelihood improvement	Goat rearing	6,276	19,394	39.2%	1.3
Vulnerable support packages	Vegetable greenhouse	729	943	22.1%	1.2
Emergency relief packages	Goat fattening	1,033	1,970	30.6%	1.1
Privately-shared economic infrastructure	New milk collection centre	20,032	53,826	32.6%	1.02
	Rehabilitated milk collection centre	7,358	13,313	27.1%	1.02
Public economic infrastructure	Irrigation	1,512	1,970	30.6%	1.1
	Livestock market**	598,692	3,518,119	34.4%	11

\*at full realization of benefits, depending on the model, it could be an average over the lifespan of the main investment

\*\*these are economic results and not financial, they have been shown here for ease of reference. In this case, due to the nature of the model, the discount rate is the social one, i.e. 6%

Table B: Key output and outcome targets for Phase III and total for the entire duration of URDP

Indicators	Combined Target Phase I & II	Phase III Target	Total target for 3 phases
Total number of persons receiving services	95,000	24,000	119,000
Males – Males	66,500	12,000	78,500
Females – Females	28,500	12,000	40,500
Young - Young people	9,500	7,200	16,700
No of households reached	47,400	24,000	71,400
No of persons reached – HH members	165,900	84,000	249,900
Increase in volume of products marketed - Percentage (%)	30	50	-
Value of products in US\$ ' 000	29,000	18,000	47,000
Total number of household members reporting an increase in production	66,360	30,000	96,360
No of functioning multi-stakeholder platforms supported	43	10	53
Value of infrastructures constructed/ rehabilitated (million Euro)	26	10	36
No of market, processing or storage facilities constructed or rehabilitated	6	10	16
Public Market facilities constructed/rehabilitated - Facilities	6	13	19

Length of road constructed (km)	5	5	10
Total persons trained in crops	830	1,224	2,054
No persons having access to improved digital services		8,000	8,000
No of persons trained in income generating activities	8,720	2,052	10,772
No entrepreneur start-up package provided to trained youth		180	180
No of rural producers accessing production inputs and/or technological packages	5,187	4,250	9,437
Rural producers' organizations supported- Size of Pos	3,900	3,200	7,100
Number of products branded with geographical indicators	10	3	13

Table C

**Main assumptions and shadow prices**

The EFA follows the standard methodology for cost-benefit analysis recommended by IFAD and the World Bank and is aligned to the recent guidelines for economic and financial analysis. Detailed calculations for the aggregation of economic benefits by model, investment costs, economic cash flows and sensitivity analyses were made for a 20-year period and are available in the Programme File. Conversion factors have been calculated for different product categories and have been used to convert financial into economic prices.

Given the economic developments in the first implementation period of the URDP, the present analysis considers that the interest rate on Turkish long-term government bonds does not accurately reflect the Turkish social discount rate. Hence, it uses a social discount rate of 6% based on the Ramsey rule as recommended by the World Bank, which is also more in line with the relevant literature (see for instance Akbulut et al. (2019), <https://www.sciencedirect.com/science/article/abs/pii/S003801211730318X#:~:text=The%20overall%20result%20of%20the,because%20of%20limitations%20and%20simplifications>).

Table D

**Beneficiary adoption rates and phasing**

A 70% adoption rate was assumed for agricultural and livestock activities but 95% for the livestock markets, based on what had been recorded and seen during the field visits at MTR stage.

Table E  
Economic cash flow by year total

Proposed Phasing	2020	2021	2022	2023	2024	2025	2026	2027	2028
------------------	------	------	------	------	------	------	------	------	------

Total increm benefits	-680,980	-1,506,236	3,616,342	7,233,182	-8,832,862	-4,267,375	3,753,449	8,636,558	13,229,263
Project economic costs	24,345	-60,508	905,101	-388,737	5,713,756	9,242,539	9,907,971	8,649,768	8,001,459
Project net increm benefits	-705,325	-1,445,728	4,521,442	6,844,445	-14,546,618	-13,509,914	-6,154,522	-13,210	5,227,804

Proposed Phasing	2029	2030	2031	2032	2033	2034	2035	2036
------------------	------	------	------	------	------	------	------	------

Total increm benefits	19,195,350	31,327,337	33,565,789	34,325,647	34,060,160	32,019,868	31,773,108	33,565,477
Project economic costs	5,551,189	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Project net increm benefits	13,644,162	30,327,337	32,565,789	33,325,647	33,060,160	31,019,868	30,773,108	32,565,477

Proposed Phasing	2037	2038	2039
------------------	------	------	------

Total increm benefits	33,622,165	34,195,265	34,954,072
Project economic costs	1,000,000	1,000,000	1,000,000
Project net increm benefits	32,622,165	33,195,265	33,954,072

Table F  
Sensitivity analysis

**Table 6 Sensitivity analysis**

Scenarios		EIRR	NPV (6%, EUR)
Base scenario		23.3%	107,593,434
Costs	+10%	22.4%	104,076,594
Costs	+20%	21.6%	100,559,755
Costs	+30%	20.7%	97,042,916
Benefits	-10%	22.3%	93,317,251
Benefits	-20%	21.2%	79,041,068
Benefits	-30%	18.6%	61,248,046
Benefits delayed	1 year	21.0%	89,230,646
Benefits delayed	2 years	18.6%	72,130,469
Benefits delayed	3 years	16.2%	56,166,807
Benefits delayed	4 years	13.9%	41,123,424
Adoption rate	-10%	20.3%	36,469,820
Adoption rate	-20%	17.4%	26,754,545

# Design Update Note (DUN)

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## Abbreviations and acronyms

ACC	Agricultural Credit Cooperative
AF	Additional Financing
CBRT	Central Bank of the Republic of Türkiye
CIP	Cluster investment Partnership
COSOP	Country Strategy and Opportunities Paper
CPMU	Central Project Management Unit
DA	Designated Account
DUN	Design Update Note
EDC	Economic Development Cluster
EIRR	Economic Internal Rate of Return
ESMP	Environmental and Social Management Plans
EU	European Union
EUR	Euro
FOs	Farmer Organizations
FST	Farmer Support Team
GDAR	General Directorate of Agrarian Reform
GDI	Gender Development Index
GDP	Gross Domestic Product
GII	Gender Inequality Index
GlobalGap	Global Good Agricultural Practices
GoT	Government of Türkiye
GTWDP	Göksu Taşeli Watershed Development Project
HDI	Human Development Index
HH	Household
ICP	IFAD Client Portal
ICT	ICT Information Communication Technology
IFAD	IFAD International Fund for Agricultural development
KM	Knowledge Management
M&E	Monitoring and Evaluation
MoAF	Ministry of Agriculture and Forestry
MFI	Micro Finance Institution
MIC	Middle Income Country
MRWRP	Murat River Watershed Rehabilitation Project
MSME	Micro- Small and Medium Sized Enterprise
MSP	Multi-stakeholder Platform
MTR	Mid-term Review
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
PDA	Provincial Directorate of Agriculture and Forestry
PIM	Programme Implementation Manual
PM	President's Memorandum
PPA	Public Procurement Authority
PPL	Public Procurement Law
PPP	Purchasing Power Parity
RCGF	Rural Credit Guarantee Facility
RPMU	Regional Programme Management Unit
SC	Steering Committee
SIP	Strategic Investment Plan
SME	Small and Medium Size Enterprise
SPD	Survey and Projects Department under GDAR
SPS	Sanitary and Phyto-sanitary Standards
ToC	Theory of Change
TORs	Terms of Reference
TRY	Turkish Lira
UMIC	Upper Middle-Income Country
UNDP	United Nations Development Programme
VC	Value Chain
WB	World Bank
WHO	World Health Organisation
WUAs	Water Users Association



## URDP Design Update Note

### I. Background and programme description

#### A. Background

1. In its letter dated 11 April 2025, the Government of Türkiye requested US\$75 million as additional financing for the scaling up of the Uplands Rural Development Programme (URDP) to four additional provinces, viz. Afyonkarahisar, Karabük, Kayseri and Kutahya. In response, IFAD fielded a mission from 4 May to 9 May 2025 which visited 3 of these 4 provinces during which it consulted closely with the provincial governorate and provincial authorities of Ministry of Agriculture and Forestry (MoAF) as well as a sample of potential beneficiary households (HHs) and grassroots institutions. In Ankara, the mission held consultation and obtained guidance from MoAF and the Central Project Management Unit (CPMU) of the URDP. Subsequently, the mission developed a proposal for additional financing for scaling up URDP in the additional provinces.
2. Since its design in 2017, URDP has undergone several changes including downsizing of the programme costs and approval of additional financing, cancellation of a component and reallocation of loan proceeds, and extension of the programme implementation period. This note, in addition to the presentation of the proposal for additional financing, documents the historical changes that have taken place so that a coherent picture of URDP as a single continuously implemented programme is presented in one document.

#### B. Programme history

3. URDP was designed in 2017 with an estimated cost of EUR 98 million and an implementation period of 8 years - spread over two phases of five years each with two years overlap<sup>2</sup>. Of the total estimated cost, under Phase I IFAD approved EUR 35.15 as loan and EUR 0.9 million as grant<sup>3</sup>. This left a funding gap of EUR 32.95 million which was planned to be met by another IFAD loan approved following the availability of an additional PBAS allocation and subject to EB approval, and would cover the Phase II of URDP.
4. The financing agreement (FA) for the first phase of the programme, with a completion date of 31 March 2023 and a financing closing date of 30 September 2023, was signed by IFAD and the Republic of Türkiye in December 2017. URDP entered into force on 5 March 2018, following which IFAD released EUR 390,000 as advance financing to support start-up activities for meeting the conditions for first disbursement<sup>4</sup>.
5. In view of an allocation of only EUR 19 million for Türkiye under the IFAD11 cycle, against the funding gap of EUR 32.95 million, a design mission was fielded in May 2020 which recommended the downscaling of Phase II activities to fit with the available funding level.<sup>5</sup> Subsequently, IFAD approved a EUR 19.09 million<sup>6</sup> loan and an additional financing agreement between the Republic of Türkiye and IFAD for Loan no. 2000003668 was signed on 13 December 2021 in Rome and countersigned on 24

<sup>2</sup> Presidents' Report, EB 2017/122/R.26/Rev.1 and Financing Agreement signed by IFAD on 21 December 2017 and by GoT on 26 December 2017.

<sup>3</sup> Loan Number: 2000002134 and (Grant Number: 2000002135

<sup>4</sup> including: i) recruitment of the personnel, ii) setting up of the financial management system, iii) preparation of the Implementation Manual (PIM), and iv) signing of a MoU with the Credit Guarantee Fund.

<sup>5</sup> Downscaled to EUR 73.50 million; of which, respective contributions from the government and beneficiaries were EUR 10.41 million and 7.94 million. Outreach target reduced from 60,000 to 47,400 households.

<sup>6</sup> President's Memorandum, EB 2020/LOT/P.11.

December 2021 in Ankara. In approving the additional financing, URDP was foreseen to be completed in 2027.<sup>7</sup>

6. Under Phase I, URDP started implementing programme activities in six provinces in two regions: Adana, Mersin, and Osmaniye in the eastern Mediterranean and Bartın, Kastamonu, and Sinop in the Black Sea region. Under Phase II, two provinces, viz. Kahramanmaraş in the eastern Mediterranean and Çankırı in the Black Sea region were added but actual implementation only began in 2024 due to a delay caused by two massive earthquakes, measuring 7.7 and 7.6 on the Richter Scale that took place on 6 February 2023<sup>8</sup>. The total expected outreach of URDP is of 47,400 households (HHs) – 30,000 under Phase I and 17,400 under Phase II – with 165,900 members. A total of 95,000 persons are expected to receive URDP services by programme completion.
7. After the devastating earthquakes of February 2023, in March 2023, following a government request, IFAD approved a 4-year extension of the programme implementation period of Phase I. This helped in achieving full alignment of both phases of the Programme and synchronized these to a single completion date of 31 March 2027 and the Financing closure date of 30 September 2027.<sup>9</sup>
8. Following a declaration of emergency across 11 provinces, including those in the URDP programme area (Adana, Osmaniye, Kahramanmaraş) and receipt of the government request, EUR 3.38 million originally allocated for Component 2 - *Inclusive Rural Finance*<sup>10</sup> – was cancelled under both phases and repurposed and reallocated to Component 1 - *Clustering for resilient rural transformation* (both phases) and used to implement relief activities in response to the earthquakes. These investments would target those HHs that: (i) were affected by the disaster; (ii) were vulnerable, including women-headed households, young women and men, people with disabilities; and (ii) had not received any URDP services before February 2023.<sup>11</sup> The amended FAs were countersigned on 25 August 2023.
9. The Mid-term review of URDP was undertaken in the fourth quarter of 2023. Other than confirming the cancellation of the inclusive rural finance component, the addition of two new activities, viz. i) training on financial literacy, bookkeeping and business planning; and ii) emergency relief packages to re-establish/strengthen rural livelihood activities affected by the earthquakes, besides the revision of the logframe targets, no major changes were affected.

### C. Original programme description

10. As originally designed, the overall goal of the Programme is to *enhance the prosperity and resilience of upland smallholder farmers*.
11. URDP interventions focus on upland and transitional areas, where farmland and pastures are above 600 metres and where most forest villages are located. However,

<sup>7</sup> See Decision Memo dated 28 October 2020.

<sup>8</sup> More than 50,000 were killed, 105,000 injured, and 900,000 displaced. Nearly 140,000 buildings collapsed.

<sup>9</sup> These were conveyed to the GoT through a letter dated 15 March 2025. In approving the extension, the following conditions were agreed: (i) 100 % of the 40 multi stakeholders platforms for strategic investment planning are established; (ii) cumulative disbursement is increased from 13% to 40% with at least EUR 7 million disbursement per annum; and (iii) of the total 60,000 HHs targeted as cumulative programme outreach, current outreach of 20,650 (34%) HHs increased to 27,000 (45%) HHs.

<sup>10</sup> The DM dated 19 May 2023 observed that the establishment of Rural Credit Guarantee Facility and Rural Finance Support Network (RCGF and RFSN) faced several institutional and operational obstacles in the country, as well as a clear tendency of the market demand towards longer term concessional loans. Also, this entailed a legal and institutional framework that is not currently in place, including: i) the need for significant adjustments to the financial regulation of the country; ii) weak market demand for these services; and iii) ongoing government programmes meeting the existing financial services need.

<sup>11</sup> In consultation with the Government and URDP's PMU, IFAD's country team has found that a livestock support package would contribute to the livelihoods of 200 poor households, within the project outreach, in the uplands, ensuring the protection of their livestock population and sustaining their businesses. The total cost of the rapid recovery operations is estimated at EUR 2.6 million, EUR 1,850,000 for portable barns, EUR 500,000 for water tanks and EUR 250,000 for solar panels.

some villages located between 400 metres and 600 metres, particularly those showing characteristics similar to the upland villages above 600 metres and disadvantaged due to their location, have also been selected. Targeted activities were to be directed to women and youth – who would make up 30 percent and 10 percent of programme beneficiaries, respectively – and to transhumant pastoralist households.

12. The programme strategy initially was geared *at achieving two core complementary outcomes*. The first would 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 component aimed at clustering for resilient rural transformation and was underpinned by five subcomponents: (i) establishment of the multi-stakeholder platforms (MSPs) focusing on social mobilisation activities; (ii) building of cluster supporting economic infrastructure focusing on civil engineering activities; (iii) support to farmers' skills and organization focusing on stakeholders' training activities; (iv) support to targeted individual investment focusing on co-financing activities through cluster investment partnerships; and (v) regional branding and geographical indication focusing on studies on products and quality assessment and certification activities.<sup>12</sup>
13. The second outcome aims at improving smallholders' access to financial services, leveraging private financial resources in the process. It was divided into two subcomponents: (i) a Rural Credit Guarantee Facility (RCGF) to support the development of rural Micro-Small and Medium Sized Enterprise (MSMEs) in the Programme areas; and (ii) a Rural Finance Support Facility that will facilitate and improve the creditworthiness of all three target groups.<sup>13</sup> With the cancellation of this component (Para 8), the second outcome has been dropped. As such, no progress had been made in implementing this component before reallocation given the absence of suitable legal and institutional framework required for implementing the programme (Footnote 9).
14. The earthquake relief package added in 2023 was to focus mainly on providing a livestock support package by establishing barns using modern portable tents for ovine animals, installation of water tanks, and supply of portable solar energy systems. As such these activities are aligned with the development objective of component 1.

#### **D. Overview and Programme Progress**

15. Against the target of reaching 47,400 HH by 31 March 2027, URDP has reached 46,340 HHs, or 97.8% of the target by the end of 2024. In terms of persons served it has exceeded the target (121,111 persons against 95,000, or 127.5 % of target). Of these, 58,255 (48.1%) are women and 36,696 (30.3%) youth - far above the respective targets of 30% and 10%.
16. With the cancellation of the second component, URDP now has two components, viz. clustering for resilient rural transformation (CRRT) and Programme Management. By 31 December 2024 URDP supported 43 economic development clusters (EDCs), implemented infrastructure projects, and strengthened value chains for products like fruits, honey, and livestock. Infrastructure delivery has been efficient, as the programme leveraged pre-existing infrastructure schemes that were identified by the local authorities and were in the pipeline.
17. Under CRRT, which, cost-wise, is the largest sub-component, URDP promotes EDCs by establishing and and/or strengthening of multi-stakeholder platforms (MSPs) in each EDC and planning and implementing cluster investments according to Strategic Investment Plans (SIPs). Process-wise, URDP initially implements activities that facilitate clustering such as the holding of MSPs, arranging exchange visits of the

<sup>12</sup> See Para 4.1, Schedule 1 of the Financing Agreement signed on 21 and 26 December 2017.

<sup>13</sup> *Ibid*, Para 4.2.1

farmers, holding fairs and conducting study tours. This activity has altogether involved 2,833 HHs. Activities under this sub-component show very limited expenditure (EUR 0.06 million) and have faltered recently, which needs both reversing and significant expediting.

18. Under the second subcomponent URDP implements cluster-supporting economic infrastructure involving both the private and public sectors. Under the privately shared cluster-supporting economic infrastructure, URDP has cumulatively invested EUR 0.96 million (1.93% of total investment), and these have focused on establishing 4 milk collection centres, one each of bee materials, silage packing facilities, and honeycomb manufacturing. In addition, two cold storages - one each for strawberry and vegetables - have received URDP's investments.
19. With the cumulative investment of EUR 12.98 million, or 49.13% of the total investment, public economic infrastructure is the largest group of activities. Major investments have been made to construct livestock marketplaces (3 in number, costing EUR 3.9 million, 11%), vegetable and fruit wholesale markets (EUR 1.2 million, 4.7%), a covered local products marketplace (1 unit), vegetable/fruit marketplace construction (2) and a local products marketplace (1). Market construction in aggregate has cost EUR 8.38 million or 31.73% of the total investment. While identified as an investment opportunity in the original programme design, market roads in agricultural areas have not been constructed. As part of the public infrastructure aiming at pasture rehabilitation, URDP has constructed watering troughs (1,363), canopies (13) and shepherd shelters (10).
20. Irrigation is yet another public infrastructure that has received significant investment, cumulatively EUR 3.05 million (11.53%), for activities that include construction of a solar-powered system (1), geomembrane pools, and closed irrigation system (9). By the end of 2024, ten irrigation systems also have been modernised. Within this, irrigation main lines is a major activity costing EUR 1.73 million (6.54%).
21. Under the farmers skills and organization sub-component cumulatively until the end of 2024, 81 young entrepreneurs have been provided with training and installation grants for starting income generating activities. In addition, farm HHs have been provided with training on business plan development and job skills enhancement (104). Importantly, 496 technological demonstrations covering a wide variety of crops/ fruits, herbs, walnuts, silage preparation (40), life tents (19), lamb tents (15), sheep tents (15) and portable water tanks for animals (9) have been undertaken. The total investment for this group of activities was EUR 2.10 million (7.96%).
22. Under the sub-component related to individual investment in productive infrastructure, cluster investment partnerships have been developed with individual HHs. This partnership involves both co-investment grant support by URDP as well as the financial contribution by the participating HH. A key thrust area has been the mechanization of farms through distribution tools and equipment such as motorized hoeing machine (688), motorized scythe (82), pulveriser (257), silage machine (36), feed mixing machine (236), hazelnut threshing machine (98), binders (37) and baling machines (28). Other investments include supply, construction, and installation of milking machines (203), laser grader (918), milk cooling tanks (5), feed grinder (227), walnut garden (23), solar-powered fences (145), new barns (41), greenhouses (109) and bovine breeding packages (46), and pressurized water tank for agricultural use and fire extinguishing purposes. Cumulatively, 3,657 activities with a total investment of EUR 8.1 million (30.71% of total) - split between support grant of EUR 5 million and beneficiary contribution of EUR 3.1 million - were undertaken by URDP under individual investment sub-component by the end of 2024.
23. Supply of portable drinking water tanks for animals is the most common activity under pastoral livelihood improvement (EUR 0.90 million, 3.41%) with 172 tankers

supplied. Support has been provided with 100 percent grant facility to vulnerable HHs with equipment (250) and income generating activities (67) with an expenditure of EUR 0.22 million (0.84%).

24. The reallocated resources for earthquake relief packages were provided to 500 cattle and sheep breeder HHs with a support amount of EUR 2.04 million (7.72%). The support package consisted of originally envisaged modern portable tents for ovine animals, water tanks and portable solar energy systems. No further investment is expected under this activity.
25. Cumulatively, a total investment of EUR 11.28 million (42.69% of total) - split between support grant of EUR 8.16 million and beneficiary contribution of EUR 3.12 million – were undertaken by URDP under the individual investment sub-component by the end of 2024.
26. Under regional branding and geographical indication (GI), while URDP has not provided financial resources given the very low cost associated with GI, training was carried out in the province by the experts appointed by the Turkish Patent and Trademark Office institutions. Basic awareness and interest in engaging the process has been observed among some cooperatives and farmers organizations. The CPMU intends to work on two products for GI certification in the near future.<sup>14</sup>

## **E. Disbursement performance**

27. Despite it entering into force in March 2018, the official launch of the Programme did not take place until March 2019. Achievements remained substantially below target until 2020, mainly because of the lack of a specific project management unit, delays in recruitment of staff, inadequate fiduciary arrangements within the MoAF and the budget limitation policy enforced by the Government of Türkiye since 2018, which allowed the allocation of only EUR 200 000 of the EUR 9 million budget requested for 2020 due to poor implementation progress. To overcome these challenges, the IFAD country office engaged in high-level dialogue with the Ministry of Treasury and Finance and the Presidency of Strategy and Budget leading to an increase of the budget and the processing by IFAD of a EUR 1.85 withdrawal application in December 2020, in addition to commencement of field level implementation in early 2021. Moreover, the Financing Agreement was amended on 22 September 2021 to include UNDP and Special Provincial Administrations as implementing partners.<sup>15</sup>
28. The supervision mission fielded in November 2022 observed a swift improvement in physical delivery, thanks to the close implementation support provided by IFAD, and the renewed commitment of the Lead Agency to fast track the delivery of services on the ground.<sup>16</sup> With inordinate delay in starting the field level activities, combined cumulative disbursements including the advances from IFAD did not exceed EUR 7.1 million, or 13 per cent of the total approved amount of EUR 55.14 million (Annex table 1) by the end of 2022.
29. Substantial improvements in disbursement took place in 2023 (EUR 10.1 million) and 2024 (11.8 million). As a result, the total disbursement under the combined financing of IFAD, including the advances, was reported at EUR 30.5 million or 55 per cent of the total approved amount at the end of March 2025. Of this, the total justified (actual) expenditures out of the withdrawn advances is EUR 26.18 million (47.5% of the total approved amount). Among the financing instruments, the financial performance in terms of actual expenditures net of advances is 63.9% for the Phase I loan, 4.9% for the grant and 19.2% for Phase 2 loan. The available balance for disbursement (not withdrawn yet) under the IFAD loans and the grant,

<sup>14</sup> It is noteworthy that the MTR mission members recommended that a careful assessment of the reasons behind the limited progress achieved under this subcomponent be carried out.

<sup>15</sup> The amendment was countersigned by IFAD and the Borrower (Ministry of Treasury and Finance) on 22 Sep. 2021.

<sup>16</sup> The mission further reported '(A) relatively positive trend started with the 2022 AWPB with over 12,000 HHs reached (90% of target) and EUR 3.7 million of IFAD loan funds used (60% of the budgeted amount)'.

stood at EUR 24.59 million as at 1 April 2025.

30. Looking ahead, of the remaining balance, about EUR 14.5 million is expected to be utilized in the remaining 9 months of 2025<sup>17</sup> and EUR 11.6 million during 2026 and the 1<sup>st</sup> quarter of 2027<sup>18</sup>. This leaves a balance of about EUR 2.9 million for two Phase II provinces - Kahramanmaraş and Çankırı - where the field level activities, except for the earthquake relief package, began only recently. Programme interventions in those two provinces therefore need to continue beyond the current Completion Date of 31 March 2027 so that a critical mass of interventions can take place with attendant outcomes.

## **II. National context and rationale for IFAD involvement in additional financing**

### **A. Political, economic, and social context**

31. **Geography and demography.** Located between the Mediterranean and the Black Sea, with a total area of 785,350 km<sup>2</sup>, a coastline of 7,200 km, and a population of 85.7 million at the end of 2024, the Republic of Türkiye occupies a unique geographical and cultural position at the crossroads of Europe and Asia. Administratively, the country is divided into 7 geographical regions<sup>19</sup>, 81 provinces, and 973 districts. Türkiye remains a recognized global leader in its refugee response<sup>20</sup> and currently hosts the world's largest refugee population with 3.2 million Syrians under temporary protection and over 222,000 refugees and asylum-seekers under international protection.<sup>21</sup>
32. **Political context.** Since it formed as a modern state in 1923 Türkiye in general has progressed well politically. Since early 2015, however, Türkiye has experienced some political challenges.<sup>22</sup> A new constitution was adopted in 2017 through which Türkiye moved from a parliamentary to an executive presidential system which put all ministries under the control of the president and transferred some of the parliament's oversight functions to the presidency.

### **Economic context**

33. With a GDP of \$1.32 trillion as of 2024 Türkiye is the 17<sup>th</sup> largest economy in the world. It is a member of the OECD and the G20 and is increasingly playing the role of an official development assistance (ODA) provider. Türkiye pursued ambitious reforms and enjoyed high growth rates between 2006 and 2017, which propelled the country to the higher reaches of upper-middle-income status. Real GDP growth averaged 5.4% between 2002 and 2022, resulting into the more than doubling of the income per capita in real terms.<sup>23</sup>
34. Subsequent to the design of URDP in 2017, while the Turkish economy was jolted by exchange rate shocks in 2018 followed by significantly reduced economic growth rates in 2019 and 2020, it began recovering in 2021 and Türkiye's US\$-based nominal GDP per capita and GDP-PPP per capita have eventually reached their all-time peak values in 2024. In purchasing power parity terms, in 2025 Türkiye ranks 12th largest in the world and 5th largest in Europe<sup>24</sup>. Türkiye's Human Development Index (HDI) value has been on the increase, and it rose to the very high human

<sup>17</sup> Of the projected amount of IFAD financing of EUR 20.12 million in the 2025 AWPB, estimated disbursements will be EUR 15.97 million, or close to 80% of the projection.

<sup>18</sup> The partial supervision mission fielded in May 2025 has projected that of the unspent balance, around 70% will be utilized in 2025 and 30% in 2026. This estimate has been revised somewhat by the AF redesign mission.

<sup>19</sup> Eastern and South-eastern Anatolia in the East, the Black Sea in the North, Central Anatolia and the Mediterranean in the South, and Marmara in the West.

<sup>20</sup> See: The World Bank, *Performance and Learning Review of the Country Partnership Framework for the Republic of Türkiye, 2020*.

<sup>21</sup> See: <https://www.unhcr.org/tr/en/kime-yardim-ediyoruz/refugees-and-asylum-seekers-tuerkiye>

<sup>22</sup> Such as a cabinet reshuffle in May 2016 and a failed coup d'état in July 2016, followed by the declaration of nationwide state of emergency.

<sup>23</sup> <https://data.tuik.gov.tr/Bulten/Index?p=Poverty-and-Living-Conditions-Statistics-2024-53714>

<sup>24</sup> IMF, *World Economic Outlook*, - <https://www.imf.org/en/Countries/TUR>

development category in 2019<sup>25</sup>. The Gender Development Index (GDI) also increased from 0.847 in 2000 to 0.93 in 2016, but not as rapidly as HDI, making Türkiye one of those countries with the highest difference between the HDI values for women and men. Even more concerning, the GDI stalled in 2017 and receded thereafter.

35. Following the May 2023 elections, the economic team launched a comprehensive policy set to address past macroeconomic imbalances, especially high inflation. The country experienced a robust economic expansion of 4.5% in 2023. However, this growth rate is moderate at 3.2% in 2024 and is expected to be 2.7% in 2025. More recently, the Central Bank of the Republic of Türkiye has brought the *ex-ante* real policy rate into positive territory while reducing regulatory complexity. Tax and expenditure measures underpin efforts to restore fiscal prudence.<sup>26</sup>
36. The policy turnaround has reduced economic imbalances and revived confidence. Headline inflation has fallen as tighter financial conditions are weighing on domestic demand. Market sentiment has sharply improved, with domestic and foreign investors shifting into lira-denominated assets while lower commodity prices, buoyant exports, and reduced gold imports have strengthened the current account, supporting a large improvement in both the gross and net reserves position. Importantly, under the authorities' gradual policy adjustment, inflation is expected to further decline. Overall, however, risks around the baseline are significant and tilted to the downside and significant financial and external vulnerabilities remain.
37. On the environmental and climate front, Türkiye's industrial base and transport heavily relies on carbon-intensive processes and fossil fuels, presenting both challenges and opportunities in light of the EU's Carbon Border Adjustment Mechanism — a critical consideration given the EU's role as a major market for Turkish exports. Türkiye's distinct geographic and socioeconomic conditions significantly increase its vulnerability to the adverse effects of climate change, highlighting the need for broad adaptation measures. Governance of forest areas, 42.2% of which were deemed degraded in 2019, and upland eco-systems is weakening due to out-migration of forest villagers and recourse to solutions leading to ecological changes threatening biodiversity. Türkiye faces challenges in efficiently managing its water resources and protecting its environment. If by 2050 the population were to reach 100 million, water availability could drop to 1,120 m<sup>3</sup> per capita, placing Türkiye in the category of water-stressed countries. Given these trends, improved governance systems and innovative water management approaches are critical to ensuring sustainable water use.
38. Türkiye continues to address the effects of the earthquakes that hit the country in 2023 which caused more than 50,000 casualties, injured 107,000 people, damaged or destroyed 1.9 million housing units, and displaced 3.3 million people. The assessments estimated the recovery and reconstruction needs at around \$81.5 billion. Risks remain high, with about 70% of the country's population living in first- and second-degree seismic zones.<sup>27</sup>

## B. Rationale for IFAD involvement

39. Since the design of the URDP, while the economy of Türkiye faced some challenges, in purchasing power parity terms Türkiye ranks 12th-largest in the world and 5th-largest in Europe in 2025 (See para 34 above). Similarly, some reversals in gains made in reducing poverty were observed from 2018 to 2020. It has now taken a positive direction, however. This notwithstanding, the poverty rate at 13.6% in 2024

<sup>25</sup> [ps://www.undp.org/sites/g/files/zskgke326/files/migration/tr/UNDP-TR-CEID-UNDP-INFOGRAPHIC-ENGLISH.pdf](https://www.undp.org/sites/g/files/zskgke326/files/migration/tr/UNDP-TR-CEID-UNDP-INFOGRAPHIC-ENGLISH.pdf)

<sup>26</sup> See- IMF, 2024 ARTICLE IV CONSULTATION. <https://www.imf.org/en/Publications/CR/Issues/2024/10/11/Republic-of-Turkiye-2024-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-556139>

<sup>27</sup> World Bank-

<https://www.worldbank.org/en/country/turkiye/overview#:~:text=T%C3%BCrkiye%20continues%20to%20address%20the,whom%20two%20million%20needed%20shelters.>

is still high. Even more worrisome, progress in reducing poverty has stalled. Extreme poverty is primarily a rural phenomenon, with 80% of the extremely poor living in rural locations. This is particularly true amongst forest villages, most of which experience poverty rates above 43%.<sup>28</sup>

40. In terms of both expected and mean years of schooling, while the difference between women and men decreased since 2000, it has started to increase again beginning in 2019. There is a noticeable increase in the number of children not attending school, with poverty being one of the primary causes and rates are exacerbated for girls. The female labour force participation rate for those aged 15 years and over has steadily increased particularly since 2011. However, according to the results of the Household Labour Force Survey, it was 35.8% for females and 71.2% for males.<sup>29</sup> The gender gap in income in Türkiye is well above the gap in countries with high and very high HDIs. On average, Turkish men achieve an income level which is almost three fourths of their peers in the very high human development category. On the other hand, the level of income achieved by Turkish women is about half of the women in countries in the same category.<sup>30</sup>
41. Türkiye is a nation of youth: nearly half of the population (44.2%) is under the age of 30, and 22.7 percent of the population is between the ages of 15 and 29 years. The unemployment rate among young people is high at 17.5% (2023) overall and even higher for young women (23.4%). In Türkiye, 27.2% of the young people aged 15 to 29 are neither in education nor in employment. This is the second highest rate after Colombia (29.6%) among the OECD member states (14.1% on average). In Türkiye, this rate is 16.9% for men aged 15 to 29, whereas it is 42.4% for women in the same age group.<sup>31</sup>
42. Importantly, agricultural growth in Türkiye, as is the case with most other countries in the world, has proven to be pro-poor. In Türkiye, agriculture has the potential to contribute even more to reducing poverty and making the economy much more resilient. Within Türkiye, agricultural growth is significantly higher in Southeast and Eastern Anatolia Regions which also report highest poverty rates. This is a fortuitous combination and needs to be maintained and even accelerated by allocating more resources and using these judiciously for the development of agriculture in the provinces that fall in these regions.
43. Türkiye is a rapidly urbanising country and as a result the share of urban population increased from 31.5% in 1960 to 77.46% in 2023. While the rate of urbanisation is increasing gradually, the long-term trend of decreasing share of rural population persists. As a result, while cities are getting crowded with young unemployed people, the farming population on average is growing older. Against this backdrop, the National Youth Employment Strategy and Action Plan (2021-2023) has prioritised increasing youth employment in rural areas.<sup>32</sup> Since agriculture is a major source of employment in rural areas and is likely to remain so for years to come, investment in agriculture needs to be accorded a high priority for the foreseeable future.
44. The original design of URDP was rationalized on the basis that while Türkiye has experienced strong economic growth, which has helped drive robust poverty reduction, it has been experiencing polarising trends such as rising inequality, social instability, rural migration, environmental degradation and climate change that bring increased uncertainty about future livelihoods, especially for youth and women. Further, Türkiye has successfully managed to upgrade, integrate and exploit emerging market opportunities nationally and globally, not least since the Customs

<sup>28</sup> <https://openknowledge.worldbank.org/server/api/core/bitstreams/024a12d1-15c9-54ee-bbba-d30abdfe7c1d/content>

<sup>29</sup> See TURKSTAT - <https://data.tuik.gov.tr/Bulten/Index?p=Women-in-Statistics-2024-54076&dil=2>

<sup>30</sup> <https://www.undp.org/sites/g/files/zskgke326/files/migration/tr/UNDP-TR-CEID-UNDP-INFOGRAPHIC-ENGLISH.pdf>

<sup>31</sup> [https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/10/employment-and-skills-strategies-in-Turkiye\\_g1g7f16f/9789264279506-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/10/employment-and-skills-strategies-in-Turkiye_g1g7f16f/9789264279506-en.pdf)

<sup>32</sup> <https://www.iletisim.gov.tr/english/haberler/detay/president-erdogan-issues-circular-on-national-youth-employment-strategy-and-action-plan>



Union with the EU in 1995. As a result, farmers are value chain actors that have been able to take advantage of these opportunities typically found in the coastal areas and in the large swathes of the flat Anatolian plains. However, the same is not true for 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, hilly and degraded land plots, and limited exposure to innovation. Consequently, upland areas are trapped in a vicious cycle of low productivity, poverty, youth emigration to cities, closure of core social institutions, such as schools and health facilities.

45. Rapid demographic growth, urbanisation, unsustainable agricultural practices, overgrazing and industrialization exert heavy pressure on natural resources and the environment and as a result sustainability gaps are increasing in the mountainous areas. Productivity gains have slowed down, effects of climate change have expanded the agricultural sector's exposure to climatic risks, and Türkiye is already considered a water-stressed country.<sup>33</sup> In addition, protecting soil health and adopting sustainable soil and land management practices are essential for improved productivity and food security. Land degradation trends across the programme provinces reveal alarming shifts. In addition, as analysed in the SECAP (Attachment 6), land productivity is declining in most of the proposed programme provinces. For example, Karabük has seen a +222% rise in declining land productivity, with past deforestation and industrial activity compounding soil degradation and biodiversity loss. Kayseri, though less critical overall, shows sharp declines in grassland productivity (+494%) and wetland degradation from agricultural expansion. In Kütahya, degradation in both cropland (+596%) and forest areas (+361%) is linked to unsustainable farming practices and soil erosion.
46. For a variety of reasons such as COVID-19, establishment of project management and budget allocation issues, implementation of URDP got delayed. It nevertheless has emerged as a successful model for tackling the development challenges in upland and mountainous areas in Türkiye's Black Sea and Mediterranean regions. This is supported amply by the MTR mission's assertion that, 'URDP remains highly regarded as a unique opportunity for supporting critical smallholder investments in the Programme area, instrumental to the consolidation of agricultural value chains'.<sup>34</sup> Similarly, the 2024 supervision mission highlighted the successful scaling-up of key interventions such as milk collection centres, cost-effective tented barns, and participatory planning through multi-stakeholder platforms, which enhanced market access, youth engagement, and local ownership.
47. Importantly, the mid-term study undertaken for the URDP showed that the proportion of households reporting increase in production exceeded the programme target of 15%, while those reporting increase in the volume of products sold was at 25%, in line with the programme target. Also, almost all of the new job opportunities in the Black Sea region came from supported producers' organizations. The partial supervision mission in April 2025 rated potentiality of URDP's scaling-up as satisfactory (a rating of 5) given that 'URDP has demonstrated strong potential for scaling up through practical, inclusive innovations such as solar-powered irrigation in off-grid areas, mobile livestock shelters, different sized greenhouse systems, extended field cropping seasons for food and feed, vegetable and fruit production and processing, apiculture, and productive asset transfers to vulnerable groups. These interventions have delivered visible results and gained traction among government entities, the private sector, and development partners. Further, 'Public institutions across green ministries and economic ministries have begun to replicate

<sup>33</sup> *Water Efficiency Strategy Document and Action Plan in the Framework of Adaptation to the Changing Climate (2023-2033, Government of Türkiye, 2022.*

<sup>34</sup> *It further noted: 'Programme staffing is complete and communication between SPD management and R/PPMUs is well established. Operational arrangements for the implementation of small-scale infrastructure through eligible Special Provincial Administrations (SPAs) further increase URDP's capacity to deliver results on the ground.'*

URDP models.<sup>35</sup> Likewise, 'other donors have started to capitalise on the URDP opportunities to support and scale up livelihood and enterprise opportunities.'<sup>36</sup> URDP's success stories have also influenced the corporate social responsibility (CSR) activities of some private sector entities in the provinces.<sup>37</sup> Furthermore, with Phase III investments there is a high likelihood of creating a synergistic effect and adding value to government initiatives being undertaken in the proposed programme area and enhancing efficiency by utilizing essentially an existing administrative structure.

48. Both the PSVM and the AF design mission noted that the PMU is strengthening three strategic pathways to guide the scaling-up effort for higher development effectiveness.
49. In sum, URDP's approach of supporting target households with a combination of individual and cooperative matching grants, youth entrepreneurship support, training initiatives, infrastructure investments and rural institutions development is recognized as an effective strategy for poverty reduction. There are also plans to repurpose the multi-stakeholder platforms to strongly follow up on URDP investments and support the convergence of other public and private resources for scaling up URDP's success stories and providing complementary investments. These steps will address the long-term viability of scaled-up interventions and ensure sustained impact following programme completion, meanwhile contributing to more integrated agricultural development planning at provincial level.
50. Learning from the experience hitherto gained under URDP and other relevant IFAD-funded projects and adapting to the needs of the new provinces to be reached in the proposed third phase, while remaining within the broader design framework of URDP, several changes and innovations have been identified as part of the lessons learnt (see paragraphs 59-62). These lessons will form part of the URDP's Phase III implementation methodology.

### **C. IFAD's comparative advantage**

51. Since 1982, IFAD has lent a total of US\$ 795.9 million to Türkiye through 12 projects that contribute to the reduction of rural poverty in the upland areas of the country by helping farmers, especially those short of resources, move from subsistence to more commercial farming. To that end IFAD projects aim at: (i) enhancing access to markets for productive poor small farmers; and (ii) mainstreaming sustainable natural resource management in agricultural production while enhancing climate resilience. Activities use targeting, gender and community empowerment, innovations for scaling up, and partnership building as main principles of engagement. IFAD's support thus far is in close alignment with the Turkish Government's poverty-reduction policy, which gives priority to the development of economically depressed regions, particularly in mountainous areas which lack physical and social infrastructure, such as roads, schools and hospitals.
52. Following the mid-term review and considering the positive outcomes of URDP acknowledged in the mid-term survey, bearing also in mind the strong potential of URDP for scaling-up and the findings of the partial supervision mission, the GoT has requested an additional financing from IFAD for scaling-up URDP in four additional

<sup>35</sup> For example, the MoAF is currently reviewing the use of URDP's tented barns, which are more cost-effective than cement structures, as a nationwide option. In the Sinop Province, the Governor has instructed districts to replicate URDP's model for supporting vulnerable households by allocating local funds for scaling up these activities in 2025. In Samsun, the General Directorate of Agricultural Research and Policies is exploring replication of the buffalo milk processing unit. In Adana's Tufanbeyli EDC, the municipality fully financed a legume packaging plant using its own resources, based on a need identified and designs developed through URDP interventions. Again, in Bartı URDP's 3,000 m<sup>2</sup> greenhouse design has been adopted by the Chamber of Commerce and for scaling up and expansion in Zonguldak province in the future.

<sup>36</sup> For example, in Feke municipality (Adana province) a URDP supported lavender production demonstration, has received FAO support to set up a lavender oil distillation unit. It is led by a women's cooperative and now anchors a festival that draws 5,000 daily visitors and seasonal employment.

<sup>37</sup> For example, Enerji SA A.Ş., has adopted URDP's tent and sheep pen design, deploying 39 tents, and has distributed 25,000 walnut saplings for climate resilience.

provinces (paragraph 1). This request clearly recognises that IFAD has demonstrated its comparative advantage in providing support to marginalised smallholder farmers living in upland and mountainous areas, which according to the Country Strategy and Programme Evaluation (CSPE) undertaken by the Independent Office of Evaluation (IOE) of IFAD in 2023, are more vulnerable to climate change burdens, have higher rates of economic poverty and are subject to rural-urban outmigration. This evaluation also concluded that those areas are hard to reach, and thus under-served, due to their remoteness and low population density. The CSPE also found the overarching theme of household resilience to climate, economic and social shocks and stressors in upland areas as relevant. The proposed scaling-up request by the GoT aligns fully with all 3 strategic objectives of the COSOP (2025-2030, paragraph 126 below).

53. It is noteworthy that the GoT has several programmes and instruments that co-invest in support of sustainable agriculture.<sup>38</sup> However, these mechanisms tend to favour medium-sized farmers, cooperatives, and registered SMEs due to administrative and financial thresholds, creating access barriers for poorer households and smaller-scale producers. Concessional loans from institutions like Ziraat Bank and the Development Investment Bank of Türkiye support climate-smart infrastructure, but the operating procedure involves creditworthiness tests or municipal-level implementation that tend to exclude remotely located poorer households from accessing the financial services. IFAD can therefore play a complementary role in assisting the poor HHs to increase income, broaden their asset base and eventually make them bankable and enable them to access financial services which in turn can potentially smoothen their transitions to alternative livelihoods options. Furthermore, IFAD-assisted URDP can influence existing schemes through demonstration effects and policy dialogue processes to make them more inclusive. Although limited in scale, in Sinop province the pro-poor matching grant instrument under URDP was scaled up by the provincial government considering their impressive contribution in uplifting the rural poor and in invigorating the rural economy. Looking ahead, the support provided by IFAD-funded URDP to integrated cluster investment plans and multi-stakeholder platforms could facilitate the alignment of these programmes with the broader investment strategies of provincial governments. This could lead to synergistic effects and greater benefits for rural households, including those who are impoverished, marginalised, and vulnerable.
54. In sum, IFAD is extremely well placed in serving the target group identified by the proposed additional financing for scaling up the programme in new provinces and clearly has a distinct comparative advantage in identifying and catering to their needs. In doing so, it can potentially contribute to the invigoration of the larger rural economy.

#### **D. Special aspects relating to IFAD's corporate mainstreaming priorities**

55. The programme will adopt an inclusive approach under which women, youth and very poor HHs will be specifically targeted for inclusion. Against the targeted women and youth beneficiaries of a total of 30% and 10% respectively, URDP's achievement so far is 48% and 29%, respectively. In Phase III, respective targets are set at a minimum of 50% and 30%. To enhance the effectiveness of socio-economic targeting in Phase III, infrastructure feasibility studies should include a detailed assessment of the socio-economic profile of potential beneficiaries to ensure that target groups benefit from the investments. Within the target group, the lowest-income households (mainly women) will be prioritized, especially for receiving 100% grant support under the livelihood support packages. Similarly,

<sup>38</sup> e.g. IPARD III, TKDK, and KOSGEB offer significant co-financing (ranging from 50% to 70%) for sustainable agriculture.

poor and vulnerable transhumant pastoralists and youth will be supported by providing a higher share of matching grant support (paragraph 49(a), Targeting).

56. URDP will address youth-specific challenges<sup>39</sup> by providing orientation, mentoring and coaching support to young men and women to: (i) identify the skills required to enter the job market and access relevant training offered by the public sector; and (ii) develop their business ideas and enable them to access start-up capital and technical advisory support. Youth will be able to access financial support from the programme grant schemes as well as from other existing schemes and engage in agriculture as a business. It is expected that efforts will result in increased access of youth to job and entrepreneurship opportunities in the agriculture and wider rural sector.
57. URDP will increase the efficiency and sustainability of agricultural production systems through access to appropriate inputs and to reduce drudgery through the distribution of a wide variety of energy-saving technologies and appropriate mechanization services (tools, equipment and machines). New opportunities for provision of inputs and services are expected to encourage youth and women to seek decent employment in the villages in which they reside. With these mechanisms put in place, URDP's performance in terms of inclusivity is expected to be far better targeted than in the original design.
58. The programme will strengthen climate change adaptation through diversification and integration of agricultural production systems to enhance soil health, water, pest and nutrient management, and environmental integrity. Options for appropriate varietal selection, cropping systems, pasture enrichment, land rehabilitation and livestock management will be facilitated through targeted investments. Aggregation of producers to achieve economies of scale will provide opportunities for services to facilitate market access through stable value chains for fresh and value-added products. Indeed, the main goal of the programme is to enhance both the prosperity and resilience of upland smallholder farmers, and its development objective is to strengthen the resilience of upland communities, especially youth, improving their integration into markets. The programme will integrate climate and environmental analysis within cluster investment plans and designs of infrastructure. Targeted diagnostics and advisory systems, capacity-building, climate resilient designs and demonstrations will address gaps in localized vulnerability data or in the outreach of existing services to more remote or underserved groups. The programme will strengthen this adaptive capacity at the community level by promoting sustainable resource use, climate-resilient infrastructure, and improved access to climate information services. In addition, the programme will support improved energy efficiency, and access to renewable energy (i.e. solar powered irrigation, fences etc.). Progress will be measured among others through core indicator 3.1.4 "Land brought under climate-resilient practices" as well as through additional monitoring systems included in the SECAP.

## **E. Lessons learnt**

59. In preparing the AF proposal, key lessons learned have been reviewed and distilled from the studies, reviews and evaluations undertaken in recent years, in particular, the Country Strategy and Programme Evaluation (CSPE) carried out by Independent Office of Evaluation of IFAD (IOE) in 2023, supervision and mid-term reviews of URDP, experience of the General Directorate of Agrarian Reform (GDAR) in other areas and from relevant government agencies and development partners'

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<sup>39</sup> Challenges include unfavourable socio-economic conditions such as high rate of unemployment among youth, lack of quality public services, and a lack of opportunities for personal growth and professional development. These factors directly contribute to youth migration.

interventions. These have been factored-in and will be used in further improving the performance of URDP during implementation.

60. There is a need for holistic integration of natural resource management and climate adaptation activities across programme interventions:
  - Despite the initial overall intent, URDP experienced challenges in implementing complementary interventions addressing pasture degradation, climate change and erosion which can be crucial for long term sustainability and resilience of infrastructure<sup>40</sup>. Similar challenges were experienced with MURAT for rangeland management. A dedicated Pilot Activity Implementation Plan (PAIP) was developed in 2022, but its roll out has not started yet as it requires dedicated funds and an expert who is just now being recruited. By limiting natural resource management and climate adaptation activities to one sub-component, the programme missed opportunities to integrate these practices more comprehensively across other interventions, ultimately reducing URDP's overall impact on natural resource management. Accordingly, the AF design promotes integrated approaches across components, starting from cluster investment plans.<sup>41</sup> It proposes among other things to leverage effective operationalization of SECAP, by ensuring dedicated resources are allocated to develop specific environmental and social management plans (ESMP) for each of the main investment activities.<sup>42</sup>
  - Building on MURAT and FIRAT design lessons learning, the programme will also seek to integrate minimal environmental and social-climate requirements as part of investment partnership (i.e. subjecting investments in pasture infrastructure with agreement from rangeland user group to improve sustainable management of pasture). Similar agreements could be sought for water user groups for improved water management and for individual grant beneficiaries to improve practices (i.e. farmers benefiting from greenhouses could commit to reduce pesticide use, those benefiting from livestock investment in barn could still commit to improve management of waste etc.).
  - While the MURAT project provided livestock shades and water points to rangelands, it only implemented a few examples of sustainable rangeland management. The CSPE reported neither the establishment of sustainable community-based rangeland management groups, nor the provision of training in silvopastoral systems. Similar findings would appear to emerge from the implementation of the ongoing IFAD-supported Göksu Taşeli Watershed Development Project (GTWDP). Identification of challenges and solutions for sustainable rangeland management should therefore be part of the MC diagnostic and planning process with subsequent implementation through rangeland user groups [24] . In addition, investments in shade and particularly water points should be used as an incentive for the groups to engage in sustainable rangeland management practices.
61. URDP Phase III will foster an integrated water management approach: combining Irrigation with soil and water conservation measures:
  - Information gathered during the field work undertaken for developing the AF proposal shows that irrigation schemes accompanied by changes in cropping patterns and intensity and increasing livestock productivity carry the potential for kickstarting economic activities in the rural areas and thereby create both self and wage employment opportunities for the very poor HHs. As a corollary to this, high priority should be accorded to applying water-saving technologies. This means propagating crops and rotational systems that are water efficient, supporting activities such as training of water user groups to equip them with

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<sup>40</sup> URDP PVSM 2025

<sup>41</sup> SM GTWDP 2024, ORMS lessons learnt.

<sup>42</sup> SM, MTR and ISM 2025 of URDP.

tools to monitor water use, while demonstration should be aligned closely with such prioritization. This approach is driven by the COSOP 2025-2030 finding that 'Türkiye faces challenges in efficiently managing its water resources and protecting its environment (and therefore) 'improved governance systems and innovative water management approaches are critical to ensuring sustainable water use.'<sup>43</sup>

- Considering that between 2016 and 2024 the programme provinces were affected by a substantial increase in land degradation and a reduction in the agricultural productivity thereof (Attachment 6, SECAP, DM), during its Phase III URDP will prioritise soil and water conservation and livelihood improvement. To this end, URDP will seek co-benefits for enhancing biodiversity, thus contributing to the resilience of ecosystems underpinning livelihood activities. In particular, URDP will facilitate the production of various trees, fruits, fodder, and grass species in nurseries and promote agroforestry and orchards with a diversity of mixed species. Additionally, producers will be motivated to adopt intercropping and production system integration by showcasing its benefits in terms of production efficiencies and income opportunities while conferring resilience to climatic, biotic, abiotic and market shocks.

## 62. Investment composition and integration

- *Selection of specific value chains.* While it is important to identify specific value chains within clusters to favour concentration of activities, the selection thereof should not be made too early as local preferences and expertise, market dynamics and climate change trends are likely to shift priority commodities.<sup>44</sup> In actual fact, the selection will also consider the variety of agroecological conditions within each province/cluster to ensure different targeted villages and beneficiaries can benefit.
- *Integration and complementarity.* While the EDC approach adopted by URDP is conceptually strong, its implementation under Phases I and II so far has laid emphasis on the horizontal spread of URDP investments, with limited vertical integration between programme-supported producers, intermediaries and markets. Such an emphasis has led to fragmented delivery, where grants, infrastructure, and capacity-building initiatives operate in isolation across large geographical areas rather than systematically reinforcing one another within a cohesive value chain framework.<sup>45</sup> The market development impact could be enhanced by linking these investments to training, advisory services, and market access support — ensuring beneficiaries are better equipped to capitalize on new opportunities. Experience also highlights the need for infrastructure planning to go beyond technical engineering considerations and incorporate socio-economic assessments and a clear theory of change to guide sustainable outcomes for target households. Such plans are to consider environmental and climate issues affecting the value chains and incorporate required interventions, while fine tuning co-investment instruments to suit the specific needs of the poorest and most vulnerable HHs. This should be accompanied by a plan for complementary investments and training aimed at maximizing the use of such infrastructure for the value chain and target beneficiaries.
- *Engaging with Universities and Research Institutions.* While URDP provided the opportunity for capacity development, demonstration and training, it only marginally involved research centres or universities. The positive experience spearheaded under the Murat Project whereby the OGM engaged the Bingöl University and its students, will be repeated to promote innovations and strengthen the quality of practical demonstrations, data collection and analysis,

<sup>43</sup> See COSOP (2025030), Para 9, Page 3.

<sup>44</sup> GTWD lessons learnt, 2023.

<sup>45</sup> See the report of the Partial Supervision Mission fielded in April-May 2025.

monitoring and reporting and will be used to inform the development of academic curricula to increase the capacity of future students and practitioners based on context specific evaluations.

### 63. Targeting

- Direct support to individual HHs under URDP for income generation is relatively small since the bulk of the investment has been channelled to public infrastructure (45.5% of total) and, within this, to markets (31.7% of total). URDP has mainly used geographic targeting for economic infrastructure. Target beneficiaries, in contrast, often reside in more remote areas and are not necessarily benefiting from irrigation or market infrastructure. A delicate balance therefore needs to be struck between allocation for infrastructure and income generating activities targeting individual HHs.
- Multi-Stakeholder Platforms are to play a more strategic role in improving programme targeting and sustainability — particularly by including actual beneficiaries, such as women, youth and vulnerable groups, in decision-making processes.<sup>46</sup>
- The most impactful interventions for poor and semi-subsistence farmers have been demonstration activities, targeted training, and tailored grant mechanisms with the appropriate ratio varying depending upon the recipients' socio-economic profiles. Demonstrations, such as greenhouse and clover variety trials and irrigation technologies, were especially effective in improving adoption of efficient practices and were highly impactful for women and youth — particularly when involving labour-saving tools. Training focused on climate resilience and environmental sustainability, including modern irrigation, solar energy, and rainwater harvesting, was well received and enhanced farmers' ability to adapt to environmental challenges. Tailored grants — both individual and collective — further strengthened these outcomes.<sup>47</sup>
- Some geographic areas did not benefit from the support package for vulnerable HHs as the additional cost of transport to remote sites where some vulnerable HHs were located resulted in a total investment cost above the ceiling set in the grant manual<sup>48</sup>. The beneficiary HHs had no other means to contribute to the needed investment (e.g. a small family size greenhouse for home consumption). This calls for more robust business models and cost estimates to be defined and most notably the integration of a flexible threshold to enable universal access of these packages across programme locations. Overall, the beneficiary co-financing share for the different investments needs to balance ownership, cost per beneficiary and outreach ensuring that the poorest households are not excluded. A lower share of beneficiary co-financing under Phase III will continue to be considered for the poorest households based on objective criteria for their eligibility compared to other government programmes.
- Capacity building of producers' organizations and women's cooperatives will be pursued to strengthen value chains as suggested by the CSPE, in terms of aggregation, value addition, integration in commodity chains and marketing to enable small-scale producers to capture market opportunities arising from the growing food demand across domestic and export markets. As noted by the CSPE, there is a need to strengthen social capital within targeted rural communities<sup>49</sup>.

<sup>46</sup> More recently, MSPs have not been allocated a budget and therefore the programme has not been able to dedicate adequate resources. This has led to MSPs being undertaken at a much larger scale without operationalizing linkages at a more local scale.

<sup>47</sup> URDP Phase I Mid-Term Review and progress.

<sup>48</sup> See URDP MTR report 2023.

<sup>49</sup> See CPSE, <https://webapps.ifad.org/members/ec/125/docs/EC-2024-125-W-P-3-Rev-1.pdf> Para 27

- Opportunities for youth will be created by: (i) developing guidance for rural youth targeting and support, specific to the intervention areas, their needs, interests and challenges; (ii) building on good practices of youth support in the Turkish context by promoting technologies to ease working effort; and (iii) adopting approaches that target youth who have returned to rural areas, with good financial incentives to help them work in agricultural production.<sup>50</sup>

Lastly, the importance of robust monitoring and verification systems has become clear; tracking the engagement and progress of beneficiaries through socio-economic profiling can significantly improve targeting effectiveness and ensure that interventions reach and benefit the programme intended target groups. A georeferenced database and GIS analysis of programme interventions greatly supports planning and ultimately the validation of clustering or value chain approach, providing immediate visual evidence on the type, consistency and geographic distribution of e.g. matching grants and demonstrations around a common infrastructure (URDP lesson learnt, SM 2023). Continued updating and upgrading of the georeferenced database and GIS analysis of matching grants will greatly support the strengthening of URDP's clustering approach. It will further provide insights on the geographic distribution of matching grants and demonstrations in the EDCs, reflecting the target group categorisation and enabling to double-check implementation of geographic targeting outside of biodiversity hotspots.

### III. Programme Description

#### A. Goal and Objectives

64. *Programme goal:* To enhance the prosperity and resilience of smallholder farmers and value chain actors in upland areas by scaling-up successful programme activities and extending the outreach to additional areas.<sup>51</sup>
65. *Objective of the programme:* The programme goal will be achieved by adopting an economic cluster approach that supports the development of competitive farms and agribusiness enterprises that add value, create employment opportunities and transform rural areas through improved and sustainable use of natural resources and appropriate technologies.

#### B. Description of geographical area and target groups

66. The third phase of the URDP, for which additional financing has been sought by the government, will scale-up URDP to neighbouring provinces of Afyonkarahisar, Karabük, Kayseri and Kütahya. Altogether 28 districts will be brought under URDP - 25 using IFAD loan financing and 3 using the resources of the GoT. Of the additional provinces, Karabük is contiguous with the Black Sea cluster and Kayseri with the Mediterranean Cluster. The remaining 2 provinces, namely Kütahya and Afyonkarahisar are South-West of Ankara and adjacent to each other. Considering that in the URDP provinces of Çankırı and Kahramanmaraş, programme activities began only in 2024, there is the need to continue these during the additional financing period.
67. The target area is presented below:

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<sup>50</sup> *Ibid*, Para 31.

<sup>51</sup> *Considering also the goal statements reformulated in the amended financial agreements (28 July 2023, countersigned on 25 August 2023).*





68. **Rationale for inclusion of new provinces:** The provinces of Afyonkarahisar, Karabük, Kayseri and Kütahya, located in the upland interior and western regions of Türkiye, have diverse agroecosystems ranging from forest-margin mosaics to high plateau rangelands that are shaped by elevation, forest proximity, and semi-arid climates. These areas face mounting climate risks — including rainfall variability, prolonged dry spells, and heatwaves — alongside systemic infrastructure constraints that limit smallholder inclusion in value chains. The selection of the four new provinces is guided by clearly defined criteria to address pressing development issues in line with the programme's goals and objectives. These criteria focus on regions characterized by low socio-economic development and high to medium risk of poverty and social exclusion, environmental degradation (especially affecting upland areas), vulnerability to natural disasters and climate change due to limited adaptive infrastructure and substantial reliance on agricultural activities of low productivity due to low mechanisation and poor agro economic practices. Proximity to current URDP targeted implementation areas will increase operational efficiency.
69. **At-risk-of-poverty or social exclusion (AROE):** Of the proposed new provinces Afyonkarahisar, Kütahya (TR33) and Kayseri (TR72), exhibit moderate AROPE rates of 27.4 and 27.5, respectively while Karabük has the lowest in these groups with 23.9. Despite the lower AROPE rates analysed at regional level<sup>52</sup>, when analysing the situation at provincial and district level, they exhibit significant development challenges, including pockets of poverty in rural areas, environmental issues and limited adaptive infrastructures that hinder socio-economic development particularly in upland areas. Across these provinces, the main infrastructure gaps include climate-adaptive irrigation, storage and processing for perishables, clean energy for greenhouses, and market access channels for women and youth-led enterprises.
70. **Districts targeting:** Of the 28 districts identified, 22 are classified as Socio economic development level (SEDI) development level 5 while five are level 4 and one is level 3. A significant majority, namely 78% of districts (22 out of 28) fall under SEDI Level 5, indicating underserved and least developed areas. The selection is made using a model elaborated for determining rural disadvantaged areas which has been developed by the Directorate of Agrarian Reform, using Geographic Information Systems (GIS). The layers used in the model include: (i) economic development rankings – SEDI (highest weight); (ii) distance to district centre – to assess market access and competitiveness; (iii) elevation – covering geographical coordinates of agricultural and pasture lands, especially areas above 600 meters; and (iv) population density, with higher weight assigned to areas with lower density. In addition, districts with pronounced environmental and climate challenges have been accorded priority. Overall, the target areas present 681 villages.
71. **Village level targeting:** Village selection will take place at the start of the programme in consultation with relevant stakeholders. Considering that while clustering is key for scale and sustainability, it is equally important to ensure that vulnerable, remote communities are not excluded. Thus, a balanced approach will be adopted considering both the potential for EDC and the inclusion of poorer, underpopulated, and remote villages. Targeting criteria for village selection will therefore include: (i) Socio-economic vulnerability reflecting, higher levels of poverty, food insecurity, or marginalization among households within the village; (ii) remoteness, being far from district centres; (iii) exposure to climate-related risks (e.g. drought, floods, soil erosion, deforestation), giving priority to those showing higher ranking; (iv) agro-ecological compatibility and proximity, ensuring relevance and scalability of adaptation interventions; and (v) potentiality for achieving economies of scale through geographic clustering, shared use of infrastructure and services etc. While the areas designated for EDC will form the initial basis for village targeting, it is important to recognize that some villages located outside the administrative boundaries of the EDC zones — but characterized by high

<sup>52</sup> The statistical region cited covers multiple provinces and the average values may not represent a particular province.

environmental degradation and poverty incidence within the same agro-ecological and climatic zones and fall within the 'catchment' areas for Phase III interventions such as under irrigation and milk collection — may also be included to a limited extent.

72. **Beneficiaries and outreach:** Despite inordinate delay in implementing the programme in initial years (paragraphs 27-28), URDP has expanded its outreach satisfactorily (paragraph 15). With additional financing for Phase III, URDP aims to increase its direct outreach to 84,000 persons distributed over 24,000 HHs across 4 new provinces. Of the beneficiaries, 50% will be women and 30% youth. When compared to the original design target of 30% and 10%, respectively, the revised target is substantially higher. URDP's actual performance observed so far and the need to further enhance its inclusivity justifies this increase. The final outreach target of the programme by 31 March 2030 will be 119,000 persons distributed among 71,400 HHs. If all members of the beneficiary HHs are included as beneficiaries, URDP by its full completion in March 2030 will directly benefit close to 250,000 persons.
73. **Target groups:** The URDP targets three primary groups within rural communities to enhance livelihoods and stimulate economic development.
  - (a) The largest group, comprising 60% of the targeted households (approximately 14,400 HHs), includes economically poor households reliant on small-scale farming systems, semi-settled/transhumant Yörük pastoralists, and young rural entrepreneurs. These groups typically operate at a semi-subsistence level with limited access to appropriate inputs, technologies, markets and infrastructural support. They typically earn below TRY 22,000 per month, relying on agriculture, forestry, remittances, and off-farm work. Their livelihoods are constrained by poor soil quality, limited irrigation access, and exclusion from commercial value chains. Dedicated interventions and direct targeted approach have been considered, in line with pro-poor targeting criteria.
  - (b) The second group, representing 35% of the beneficiaries (about 8,400 HHs), consists of economically active smallholders and small-scale processors with growth potential. These individuals possess more land, opportunities for diversified cropping systems, livestock, and productive capacity compared to the poorest households. 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.
  - (c) The third group, the transformation drivers, make up 5% of the targeted beneficiaries (about 1,200 individuals). These include actors who are more commercially orientated and connected in agriculture value chains, including lead farmers, agro-enterprises and processors who can serve as aggregators and models to demonstrate the viability of new technologies and approaches to increase rural resilience and provide potential development pathways for the poor, including generating employment opportunities. These actors are key to enabling systemic change.
74. **Targeting strategy.** The main targeting mechanism will be self-targeting. However, direct interventions are planned, with specific quotas set to support vulnerable groups and those at risk of exclusion — such as the poorest households, women, youth, and pastoralist communities.
75. **Infrastructure identification and selection.** To enhance the effectiveness of socio-economic targeting in Phase III, infrastructure feasibility studies should include a detailed assessment of the socio-economic profile of potential beneficiaries to ensure that target groups benefit from the investments. Selection of infrastructures

should also prioritize interventions where at least 30% of beneficiaries are smallholder farmers, semi-subsistence producers, and poor households. This approach should reduce targeting inclusion errors by avoiding infrastructure projects that predominantly benefit better-off farmers and instead aligns with URDP's defined target groups.

76. **Poverty focus.** The programme places a strong emphasis on supporting poor and vulnerable households, with an expanded package of interventions tailored to their specific needs. This includes targeted livelihood support, climate change adaptation solutions, enhanced access to services, and greater inclusion in value chain opportunities.
77. Within the target group, the lowest-income households practicing subsistence agriculture and those most vulnerable to poverty and negatively affected by shocks and disasters will be considered for direct targeted interventions. These will support the poorest households (mainly women) receiving 100% grant support under the livelihood support packages (700 HHs and women 80%). Poor and vulnerable transhumant pastoralists 260 HHs (women 50%) will also be considered for a higher share of matching grant support (up to 80% from the programme and 20% in-kind), and similar facilitation will apply to youth (70% from the programme and matching opportunity for in-kind contribution).
78. **Women.** In the third phase, URDP will continue supporting women as direct beneficiaries by: (i) Facilitating their access to all programme services, including energy-saving and labour saving technologies to reduce workload, with a target increased from 30% to 50% overall outreach for women beneficiaries; (ii) strengthening their participation in decision-making, especially within multi-stakeholder platforms (e.g., MSPs), and enhancing their leadership and decision-making skills through leadership trainings (150 women); (iii) ensuring access to livelihood package support (100% grant support) especially for female-headed households ranking among the poorest (600). Women represent also the main beneficiaries of financial and entrepreneurial literacy and business development (FELB) targeting a minimum of 1,500 women.
79. **Youth.** A key focus is also placed on youth — not only by creating employment opportunities through start-up packages but also through activities that reduce the drudgery and risks associated with rainfed agriculture. This will be achieved through the introduction of improved technologies, better irrigation solutions, and stronger market linkages, enabling youth to engage in agriculture and allied activities more productively and sustainably. Youth will also receive dedicated support training for income generation, business development and demonstration, targeting about 800 youth (50% young women). It is expected that 380 youth will be granted start-up package support grants for self-employment.
80. The CPMU and PPMUs have been properly resourced to support the implementation of the targeting strategy.

### **C. Components/ Outcomes and activities**

81. URDP is now left with one substantive component, viz. clustering for resilient rural transformation (CRRT). As designed, this component is underpinned by five sub-components (paragraph 12). Since the earthquake relief package that was added also focuses mainly on providing a livestock support package, it forms part of this component. No further activities are foreseen for earthquake-related response in the Phase III of URDP.
82. Following the programme restructuring leading to removal of component 2, the logframe was left with only one single outcome, namely 1 - ***"Strengthened economic development clusters through sustainable increase in production and market linkages"*** - with multiple outcome and output indicators. However, the

Programme TOC refers to several distinct outcomes, such as increased employment (CI 2.2.1), rural competitiveness, and resilience. Additionally, the impact indicator “Increased voice, influence and participation of youth and women at household and community level” blends output-level participation with higher-level empowerment outcomes. It has been therefore agreed to focus the TOC outcome more clearly around CI 2.2.1 (Persons with new jobs/employment opportunities), which is already present and serves well as a key result in the revised version developed for the additional financing.

83. Additionally, the ToC has been aligned with the logframe indicators to reflect the critical pathway linked to the adoption of sustainable and climate resilient technologies and new/improved inputs technologies and practices to strengthen the logic and help tracking behavioural changes leading to outcomes.
84. The following adjustments have been introduced in the logframe:
  - a. **Project goal level:** The current indicator “Percentage reduction in the number of households in targeted areas living below the national poverty line” has been replaced with the **AROPE indicator (At Risk of Poverty or Social Exclusion)** which is more aligned with the graduation COSOP metric and is typically available at sub-national level and in line with what was presented in the COSOP RMF.
  - b. **Outcome level:** In addition to Outcome 1 reformulated to read: *Sustainable increase in production and market linkages through strengthened economic development clusters*, an additional outcome has been introduced in the results hierarchy as follows: **Outcome 2. “Improved resilience of upland communities (including youth)”**– with the proxy indicator “Ability to Recover from Shocks” and a target of 15% at endline, while the relevant adoption indicators (CI 3.2.2 and 1.2.2) already available in the logframe will fall under this new outcome.
  - c. **Development objective:** The following indicator: *Percentage of households in targeted areas with a monthly income of TRY 3,000 or higher (10% youth)*: has been clarified and reformulated to read: **Households reporting an increase in income (by 30% endline, and midterm 10%)**
85. The EDC continues to remain the entry point for the engagement and synergetic investments aimed at addressing local challenges of the territory to develop the main value chains that can benefit IFAD target groups. This approach will include a combination of individual investments, public and private infrastructure co-managed by the stakeholders as well as training and demonstrations within each EDC. Such investments will enable farmers to adopt improved practices and technology that increase their productivity in a sustainable and resilient ways, access to market and value chain employment opportunities. This, in turn, will lead to boost the volume of the production and marketing of agricultural products, thereby increasing incomes and reducing poverty in upland farming and agri-businesses, thereby improving the attractiveness for young farmers to remain in these areas by opting out of outmigration.
86. While building on the successful model of the initial URDP and keeping the same overall design framework including the components and expected outcomes, the AF phase introduces refinements in implementation modalities and resource allocation based on lessons learnt, especially around sustainability, climate integration, social targeting and co-financing share in order to enhance the relevance, efficiency, effectiveness, and sustainability of URDP. Key changes thus introduced include:
  - a. Increasing the relevance of URDP to the poor and most vulnerable by sharpening URDP’s focus on targeting and inclusion, mainly by strengthening participatory mechanisms and farmers’ organizations;

- b. Increasing the overall effectiveness by better aligning resources allocated for public and private infrastructure and the activities that directly support household income increases;

Substantially increased resources would be allocated for the co-investment in supporting income generating activities and for irrigation that allows productivity increase. Similarly, more attention will be paid to improved natural resources management, reduce/arrest the pace of environmental degradation including land, and climate change adaptation;

- c. Introducing *innovative collective infrastructure* that can also help address key risks and issues identified, including digital tools enabling better considerations of climate and environmental issues;
  - d. Defining upfront the sustainability and governance arrangements while undertaking feasibility studies and designing projects; and
  - e. Conducting training online and often accompanied with digital tools.
87. In investment terms, while keeping the flexibility of moving resources across activities and sub-components, estimated costs for activities and sub-components to be implemented in the third phase assume substantial increase in the allocation for: (i) EDC establishment, MSP operation and grassroots institutions building; (ii) training on financial literacy and business plans; (iii) irrigation; (iv) feasibility studies to allow for identifying key socio-economic and environmental issues that need to be addressed on top of the engineering design; and (v) investments by individual HHs on income generation by expanding production and other value chain-related activities. These increases are to be offset by achieving substantial reduction in the costs associated with public infrastructure. The changes proposed thus reflect the lessons learnt which are backed by the mid-term survey results and the supervision missions fielded by IFAD.
88. It is also to be noted that once the environmental and climate change-related issues are identified through feasibility studies and cluster level info collection, associated costs for mitigating key adverse impacts will be built into the estimated costs of the individual infrastructure schemes.
89. In the third phase URDP will establish 10 EDCs in the 4 new provinces. Within each EDC, the intervention is planned in four stages:
- a) Stage I (9 to 12 months): social mobilisation (emergence of the multi-stakeholder platform (MSP), socio-economic, environmental and climate sensitive value chain assessment, and visioning of a shared development process. The expected result is to produce strategic investment plans (SIPs) owned by the local stakeholders and addressing the various challenges identified;
  - b) Stage II (18 to 24 months): more detailed integrated design and implementation of investments, seeking to ensure synergies and sustainability, addressing key socio-economic, climate and environmental risks identified within the SIPs. The expected result includes improved capacities, enterprises and enabling infrastructures.
  - c) Stage III (12 to 18 months): development of economically viable set-up to better access commercial outlets, including dedicated infrastructure and value chain partnership - branding. The expected results are increased volumes of marketed agricultural products;
  - d) Stage IV (6 to 12 months): exit strategy activities and way forward with development partners. While this exit is expected to be completed and fully operationalized in stage 4, the overall exit vision and principles shall be included from the start, within the SIPs and integrated ESMP/feasibility. The expected results are the existence of robust linkages between EDC economic actors and

development partners to pursue economic growth, (i.e. financial institutions, commodity unions, cooperative unions, complementary partnership etc.).

90. A short description of the five subcomponents, along with the innovations introduced, follows.

**Sub-component 1.1: Establishment of the multi-stakeholder platforms (MSP) focusing on social mobilisation activities**

91. Each EDC begins with the creation of MSPs, engaging all relevant actors including vulnerable and marginalized groups. MSPs serve as participatory platforms for coordination, planning and learning, helping to identify and prioritize inclusive investments, especially for youth, women, and disadvantaged groups.
92. Due to difference between territories, socio-economic contexts, environments, technical capacities, availability of government services, and market opportunities, each EDC will require specific investment plans tailored to selected priority sectors: arable crops (cereals, legumes and pulses), tree crops (nuts and fruits), vegetables, berries, honey, live animals (1> cattle and 2> goats), pasturelands, idle (marginal) land, milk, food and feed products. Participatory value chain assessments will identify priority commodities (e.g. cereals, livestock, fruits, berries, milk, pasture products) and diagnose environmental, socio-economic and climate-related constraints and opportunities, including priority needs of target groups and capacity gaps to be addressed (i.e. improving specific extension services, digital advisory etc.). The key output is a **Strategic Investment Plan (SIP)**, developed jointly with the MSP, guiding coordinated investments across sub-components, including in infrastructure, training, services and individual matching grants.
93. SIPs would also incorporate a longer-term exit and sustainability strategy including additional investments that could be financed through different sources e.g. from URDP, contributed by the beneficiaries, by other governmental investments and also by leveraging other instruments under IPARD III, TKDK, and KOSGEB that offer significant co-financing (ranging from 50% to 70%) for sustainable agriculture, renewable energy, and waste or water-saving technologies but that tend to favour medium-sized farmers, cooperatives, and registered SMEs, creating access barriers for poorer households and smaller-scale producers. Concessional loans from institutions like Ziraat Bank and the Development Investment Bank of Türkiye support climate-smart infrastructure, but often require creditworthiness or municipal-level implementation. IFAD's initial support and investments could enable farmers and cooperatives to become eligible for such additional financing in a second phase.
94. Building on initial diagnosis to be completed with the MSPs and complementary studies, several specific value chain clusters responding to agroecological context and IFAD target groups were identified and summarized below:
95. **Karabük's** upland forest-margin systems present strong potential for value chains like beekeeping and medicinal/aromatic plants (MAPs), which are well-suited to poor households and women with limited land access. To unlock this potential, strategic investments should include community solar dryers, distillation units, and traceability tools for PDO marketing in forest honey and herbal teas, benefiting IFAD target groups with low capital but high labour availability. Demonstrations of climate-resilient apiaries and herbal gardens can guide local groups, while individual-level support (e.g. hive upgrades, drying trays) can empower women and youth. The forest-linked context also supports nature-based solutions like pollinator corridors and native flora restoration.
96. **Kayseri**, a high-elevation province with cereal-livestock systems, faces declining pasture quality and water access. Kayseri's high plateau uplands are ideal for sheep/goat dairy and drought-tolerant pulses (lentils, chickpeas). These value chains are culturally embedded, require low inputs and offer strong market demand

but suffer from pasture degradation and erratic rainfall. Public investment in pasture restoration, mobile veterinary posts, and water harvesting for livestock is critical. Cooperatives would benefit from milk cooling hubs and seed processing units, while youth and herders can adopt mobile milking units, fodder kits, and drought-adapted seed varieties. Demonstration plots of climate-resilient rotations and animal health packages can promote wider adoption. IFAD investment in these areas would strengthen household nutrition, climate resilience, and group-based marketing.

97. **Kütahya** offers a mosaic of cropland and forest, making it ideal for small-scale greenhouse vegetables and dried fruits/herbal teas, offer high labour intensity and short-cycle income generation, particularly suited for women and returnee youth. Climate constraints like cold snaps and short growing seasons can be addressed through smart greenhouses, solar-powered irrigation, and local drying infrastructure. Cooperative branding and digital marketing platforms should be developed alongside model plots of integrated pest management, herbal gardens, and compost use. Individual farmers can access starter kits for protected cultivation, soil mulching, and home processing tools.
98. **Afyonkarahisar's** upland steppe systems are critical for dairy and fodder production, with recognized branding potential in cheeses and potatoes. Yet, climate stressors (heat, water scarcity), insufficient community cold chains, youth-led input services and feed system weaknesses limit smallholder gains. Key investments include climate-resilient feed storage, local dairy processing units, and resilient livestock watering points. Cooperative seed cleaning and dairy mini-plants can be paired with demonstration of improved forage systems and climate-ready rations as well as with appropriate digital advisory tools. Farmers, especially youth and women in cooperatives, would benefit from processing kits, alfalfa seeds, and compost units to increase productivity and income stability. IFAD-targeted investments in cooperative processing, climate-ready inputs, and digital advisory tools would increase resilience and value capture for poorer producers.
99. Across all provinces, infrastructure for aggregation, cold storage, value addition, and smart technologies remains fragmented. Investing in these systems — tailored to local agroecologies — would strengthen inclusive rural economies and climate resilience in line with IFAD's strategic focus.

### **Sub-component 1.2: Establishment of Economic Infrastructure Supporting Clustering**

100. This sub-component shall support the design and implementation of economic infrastructure to improve the enabling environment of selected value chains. Specific expected outcomes include: (i) improved access of households to productive and climate resilient lands and rehabilitated water infrastructures; (ii) improved physical access to market, storage, processing facilities, and (iii) improved access to climate resilient tools and services along the value chains (including through improved digital tools and cooperative services in mechanization, feed, processing etc.). This would be achieved through various types of investments as described below.
101. Public infrastructure would include roads, storage and marketplaces (collection centres, wholesale markets for fresh meat and crops, storage facilities, processing facilities, improvement of pasture infrastructures (canopy, water trough, cluster fence, bathing venue) as well as water related infrastructure (irrigation systems, geomembrane ponds, solar powered boreholes and drip irrigation) and agri-business learning centres linked to local community colleges and universities. These are to be 100% programme financed.
102. Collective private infrastructures such as milk collection centres, packing facilities, silages, and honeycomb manufacturing, cold storages are to be owned and managed by an existing farmer/business organization (e.g. cooperative/union) and are to be 75% programme financed.



103. In articulation with the SIP, the third phase of URDP proposes to expand to other types of innovative collective infrastructure that can also help address key risks and issues identified, including on the climate-environmental fronts: i) protected cultivation systems to support cooperatives invest in climate resilient seeds and nursery systems (greenhouses of different sizes, rain and shade shelters, grafting chambers), ii) infrastructure to initiate-develop bio-input production, innovative feed (collective composting, valorisation of waste, feed mix etc.) or develop mechanisation hire service hubs that can facilitate adoption of more regenerative practices at scale, iii) digital climate smart tools and sensors (i.e. water sensors and dashboard for water user groups, soil health and pasture monitoring system, climate advisory etc.). Indeed, while Türkiye already has several existing digital tools, they are often not yet tailored to specific upland areas and value chains that may be selected.
104. Feasibility studies and Environmental and Social Management Plans (ESMPs) are required for all infrastructure, with sustainability and governance arrangements defined upfront as an additional feature to be implemented during the third phase. Sustainability prospects shall include long term management plans, income generation, environmental protection and creation of decent jobs that are socially inclusive and target vulnerable groups. Furthermore, designs would be increasingly expected to integrate climate adapted features such as green infrastructure (e.g. vegetative buffers, soil restoration, pasture reseeding).
105. Sustainable Management of Economic Infrastructure Projects. In line with exit strategy drafted and to be adopted (Para XX), at the feasibility study stage, each infrastructure will be handed over to institutions with well delineated roles, responsibilities and mechanisms to ensure sustained operations and management. Mobilization and strengthening of such institutions, especially at grassroots level, will be accorded higher priority during the implementation of Phase III and will form part of sub-component 1.3.

### **Sub-component 1.3: Farmer Skills and Organization**

106. This sub-component would enhance the productive and income generating skills and capacities of farmers, youth, and infrastructure management entities in line with the SIP and MSP identified challenges and opportunities. Bearing in mind identified challenges and increasing ICT4D opportunities, training would cover both the production side (to improve efficiency, environmental protection and climate resilience) and business side (income generating opportunities, financial literacy etc). It will support the participants to integrate risks and opportunities of climate change and environment in their business models and cost benefit analysis (i.e. considering decreased cost, risks, increased expected regulations and financing opportunities etc.). To facilitate scalability of such training, attention will be paid to do both direct training of beneficiaries and training of trainers (i.e. key trainers and organizations involved in providing similar trainings). In addition, building on collective digital tools developed in 1.2, training could be accompanied with digital tools and online training to support farmers and enterprises to plan better and manage their business by responding to various challenges.
107. Individual training targets young women's and men's farm businesses and value chains and business-oriented agricultural enterprises. First, enterprises will receive technical and financial training to develop sound business plans leveraging the SIP and MSP analysis and seeking to identify and address key socio-economic, environmental and climate challenges. Depending on the quality and eligibility of business plans, trained individuals may receive dedicated matching grants (directly for the youth business line or through sub-component 1.4 for other enterprises). Business activities for youth may include investments, for example, for animal production systems (e.g. new or improved barn, waste-feed equipment, mechanization), equipment for beekeeping, mushroom growing, greenhouses,

renewable energy, processing of various products and rural tourism. This may also include production of bio-inputs, valorisation of waste and by-product, new mechanization services to support regenerative practices etc.

108. Secondly, this sub-component targets improved capacities of management bodies of economic infrastructure to sustainably manage and operate economic infrastructure investments supported by URDP. Support to economic infrastructure management bodies would include improved digital tools to manage pasture health for pasture rehabilitation infrastructure or tools to better monitor and manage water allocation.
109. Finally, this sub-component would support training, demonstrations, and running farmer field schools. For each of the EDCs, the SIP would be established and corresponding farmer organisations will be matched or formed; a series of technical options will be defined; demonstrations held, technologies tested in close collaboration with relevant MSP actors. Performance of different technological options will be monitored – both quantitatively and qualitatively - by the programme with support from local government authorities and learning institutions. Technological packages would be EDC specific. This will notably include innovations to improve productivity while responding to increased climate and environmental threats. This may include crop or animal species, adapted varieties (to environmental and market requirements), production practices, diversification and integration strategies, soil health, water, nutrient and pest management, pasture enhancement, land rehabilitation, and mechanisation services (hire, repair, maintenance, construction), protected cultivation designs, trellising systems, innovative sensors and digital tools etc. and reduced post-harvest losses (through storage, packaging, washing, sorting and processing) etc.

#### **Sub-Component 1.4: Individual Investments for the Development of the Value Chain**

110. This activity provides training and matching grants for individual farmers and enterprises to access specific production inputs and/or technological packages selected based on business plans building on the SIP and MSP prioritization (1.1), new opportunities raised by infrastructure investments in 1.2 and innovations and trainings outlined in sub-component 1.3. Economic, technical, climate and environmental sustainability will be an integral part of training and built-in selection criteria. Key outcomes expected are the adoption of improved inputs, technology and practices, allowing both improved production and adoption of environmentally sustainable and climate-resilient technologies and practices.
111. **Value chain investments:** In the first two phases, these included investments in barns (including portable shelters), insulated tents and solar energy, individual irrigation ponds, establishment of fruit/berry garden including drip irrigation system, development of fruit/berry orchards, greenhouse, and individually-run economic infrastructure investments for product processing, packaging, and storage. In line with increased attention to environmental and climate issues, investments may either integrate additional features to increase climate resilience and resource use efficiency (i.e. adding sensors and precision agriculture tool, improved waste management, vegetative strip) or may cover new types of individual investments (e.g. composter and renewable energy systems etc.). The share of the resources allocated for this group of activities would be substantially increased in Phase III.
112. Since dedicated windows for more marginalized communities were found to be impactful among the first phase intervention, the share of such activities will be increased in the third phase. Interventions would include: (i) investments for livestock-related activities to raise the living standards of nomads, with 80% as programme contribution and 20% from in-kind/cash contribution by the beneficiaries; and (ii) support to vulnerable households living in rural parts in the programme area who are not eligible to receive benefits otherwise, with a URDP

grant share of 100%.

### **Sub-Component 1.5: Regional Branding and Obtaining Geographical Indication**

113. Several natural products are unique and have a recognised market value such as sour cherry, different types of nuts and vegetables, mountain herbs (e.g. sage), medicinal plants and honeys in the third phase provinces. With the appropriate access to post-harvest equipment, value added products with extended shelf lives can be produced, packaged and marketed accordingly. Government agencies will be familiar with the uniqueness of foods and feed produced from the uplands, but farmer groups and private entities need to be encouraged to supply quality products with recognised market value, without the need for compliance to expensive certification schemes. Key products required locally that can be produced in uplands, include quality feed from blended carbohydrate (wheat or barley) and protein (beans and pulses), cooking oils (sunflower and the resulting cake can be used for feed).
114. Considering the very limited implementation of this sub-component in the first phase, URDP will explore alternative value chains and certification systems that respond to customer needs (i.e. local recognition). This may be done in partnership with the tourist industry and may involve adoption of participatory guarantee systems (PGS) that ensure community compliance for safe, nutritious, fresh or processed, profitable foods and feeds.
115. This sub-component will include: i) Call for application and support to develop specific proposals in collaboration with public-private partners; ii) matching grants to cover some of the cost entailed in developing traceability, standards and product identify; and iii) support for brand awareness raising activity and supporting the applicant organization to provide necessary documents to the Turkish Patent and Trademark Office.

### **D. Theory of change**

116. As designed originally, URDP's premise was that the GoT and IFAD would help drive the transformation of the uplands' economy through support for more resilient and competitive rural farmers and agribusinesses with the aim of generating employment and higher incomes of small farm enterprises. While the overall approach and intervention types will remain the same in Phase III, e.g. cluster investment plans, multi-stakeholder platforms, investments in public production, market infrastructure and matching grants for rural households, as well as engagement in such value chains, the intervention strategies will be strengthened on targeting, and sustainability. Complementing this main strategy is the specific focus on the rural poor with a potential to graduate into fully commercial farmers that can attain the level of competitiveness required to gain market share. While URDP's main thrust is to support commercialization and transformation of smallholder agriculture, this will be complemented by targeted measures to ensure that this transformation leaves no one behind, with a specific focus on youth, micro-entrepreneurs, vulnerable women and agro-pastoralists as well as increased focus on broader sustainability, including environmental and climate dimensions. Another proposed improvement is the expansion of partnerships and the scope of proposed investment plans beyond IFAD's specific funding to broader long term investment plans seeking to converge different schemes and engage more intensively with agricultural research and extension.
117. Experience gained and results achieved so far show that the basic premise and the approach proposed in serving the rural poor in the original design remain valid. The theory of change elaborated in the COSOP 2025 - 2030 also outlines that transformation of rural areas can be ensured by improving rural institutions' governance over natural resources, fostering sustainable agri-food systems, and

diversifying socio-economic opportunities for women and youth.<sup>53</sup>

118. In pursuing its objective URDP avails of 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 the core challenges holding back smallholders in upland areas, i.e. fragmented and inconsistent production leading to commercial isolation and limited value added. 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.
119. More specifically, URDP focuses on five interconnected pathways that will support the development of competitive farms and agribusiness enterprises that add value, create employment opportunities and transform rural areas through improved and sustainable use of natural resources.
120. The first pathway underlies the following logic: IF the project facilitates clustering through social mobilization leading to the emergence of the multi-stakeholder platform (MSP) and visioning of a shared development process, and the following upgrades are introduced in this new phase: (i) strategic investment plans would incorporate more explicitly social targeting, environmental sustainability and climate adaptation; (ii) the SIPs would not only comprise funds received under the IFAD loan but also identify ancillary investments from the government's regular resources and facilitate convergence of funding to work towards achieving broader vision; (iii) MSPs shall also reflect such strategic direction, while paying attention to socio-economic challenges and potential co-financing actors. THEN the expected result is the development of strategic Investment plans (SIPs) owned by the local stakeholders. Additionally, the MSPs, when necessary, would constitute thematic working groups that can work under an integrated framework, and the planning framework would address the issues related to social, environment and climate challenges while also mainstreaming micro ESMPs in the process.
121. The second pathway enhances farmers' productivity and access to markets. IF strategic market infrastructure, both private such as milk collection centres, cold storage, silage packaging facilities and public such as irrigation, marketplaces, roads, pasture development (by installing troughs, shepherd shelters) facilitates aggregation, value addition and marketing; AND this is strategically located for aggregation, storage and processing infrastructure close to poverty clusters (as in dairy and vegetable value chains), THEN it will contribute to achieving economies of scale, and it will increase access to efficient irrigation systems and enable poor households to increase agricultural production, self-sufficiency and incomes. This combined with better smallholder bargaining power, will result in increases in sales volume, value, and small-holders' income. It will lead to the **Outcome 1. Sustainable increase in production and market linkages through strengthened economic development clusters.**
122. The third pathway: IF investments are directed to enhancing farmer's skills and building and strengthening the capacity of their organizations through training, exchange visits, demonstrations, development or adaptation of relevant digital advisory tools and support for elaborating business plans, and IF young entrepreneurs are supported with Installation grants to pursue diverse resilient livelihoods both on and off-farm, for diversifying income sources and increasing their resilience to economic and climate shocks, THEN they will adopt climate-resilient

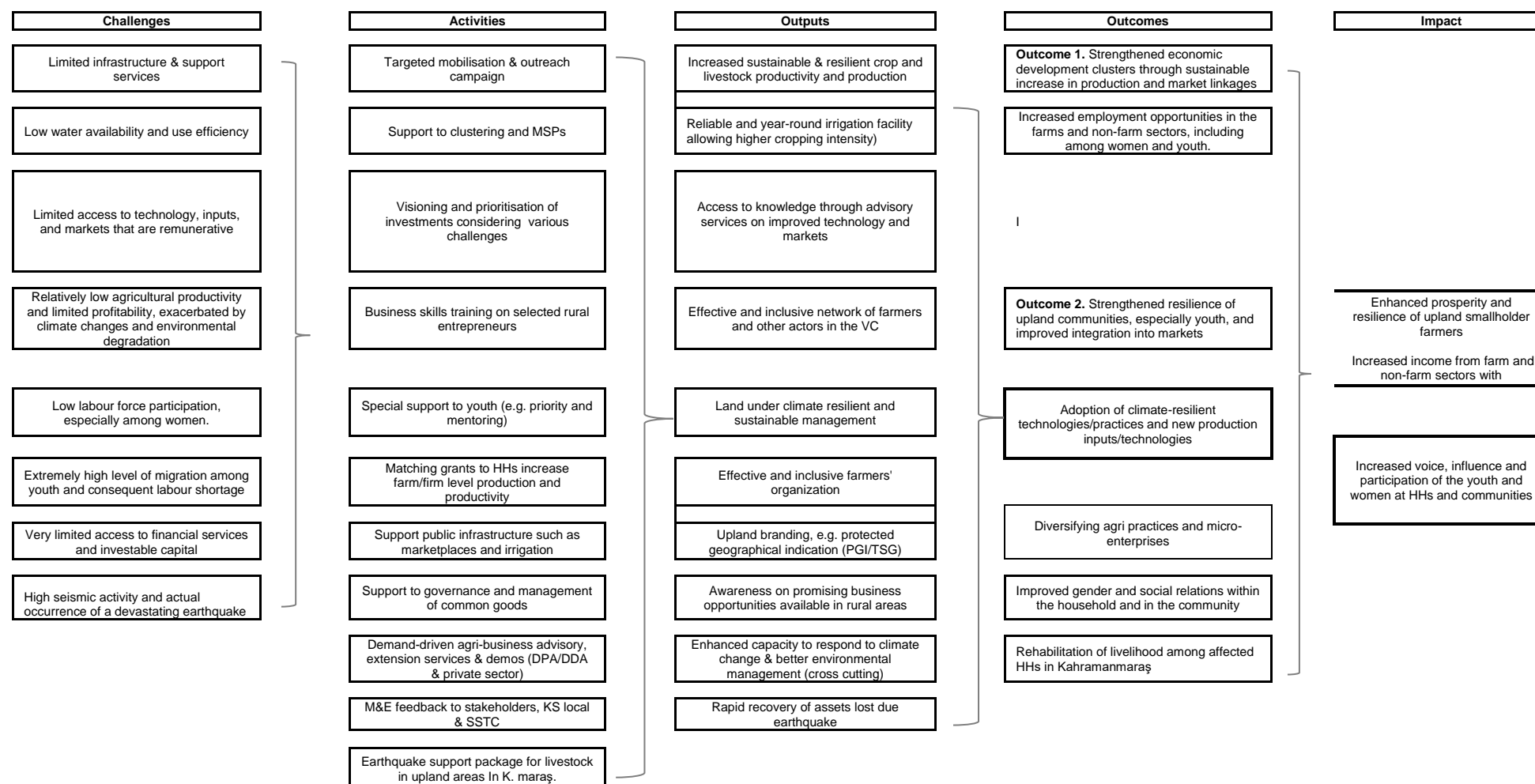
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<sup>53</sup> COSOP, Para 27.

technologies and practices introduced under Phases I and II, such as drip irrigation, bovine breeding, milking machines and diverse seasonal cropping systems including strawberry gardens, greenhouses, beekeeping adapted to changing climate conditions and market demand, and THEN they will develop more diverse and resilient livelihoods, which have proved effective in increasing income within a limited period of time and therefore would be substantially scaled-up in Phase III. Additionally, investment in the regional branding, geographical indication and other relevant certification schemes focusing on studies on products, quality assessment, marketing activities and partnership will be made to set up an effective certification and branding framework at regional level.

123. The combined effect under this pathway will result in the intended second outcome: **Improved resilience of upland communities (including youth)**.
124. The convergence of these three pathways will create the conditions necessary for increasing income streams from on and off-farm enterprises and will eventually enable rural upland households to invest in human capital and productive assets and thereby enhance their prosperity and resilience. Such changes will be accompanied by improved social inclusion, enhanced sustainability, and proper response to climate change thanks to systematic integration of such considerations within the overall SIPs, MSPs, infrastructure design process, and matching grants development. In addition, the programme will more actively seek complementarity with various green and climate financing schemes that seek to implement the government's ambitious climate and nature agenda.
125. The success of these causal pathways is grounded in URDP's implementation experience and depends on several critical assumptions: continued social, political and economic stability in the country; no major environmental or climate hazard events; awareness campaigns effectively mobilising clusters; mix of grants, credits, TA, policy dialogue and macro policies providing for a conducive framework; continuation of integrity among key government institutions; sufficient uptake by farmers and entrepreneurs; and continued access to core domestic and international markets.

## Uplands Rural Development Programme (URDP) - Chart 1: Theory of Change



### Key assumptions:

- No major political, economic and climate events
- Mix of grants, credits, TA, policy dialogue and macro policies providing conducive framework
- Governance integrity of core institutions (e.g. MoAF, OGM, PDA & DDA) remain high

- Outreach of awareness campaigns effective in mobilising clusters
- Uptake from rural entrepreneurs / farmers sufficient
- Continued access to core domestic and international markets

## **E. Alignment, ownership and partnership**

### **a. Alignment with SDGs**

126. Continuing with the goal set during the original design, Phase III of URDP aligns fully with SDG-1 (no poverty), especially those poorer HHs residing in generally remote mountainous areas; and contributes directly to SDG-2 (zero hunger), in particular, SDG-2.3 (double the agriculture productivity and incomes of small-scale food producers). Phase III continues to mainstream gender equality (SDG 5) and is geared towards contributing to SDG-8 (inclusive and sustainable economic growth, employment, and decent work for all) and climate action (SDG-13) by strengthening resilience and adaptive capacity to climate related disasters (SDG 13.1).
127. In designing for URDP's additional financing, three out of four interconnected strategic priority areas identified in the UN Sustainable Development Cooperation Framework between the GoT and the UN System in Türkiye (2021-25) have been appropriately considered and incorporated. These include: (i) inclusive and equitable social development, (ii) competitive production, productivity and decent work for all; and (iii) climate change and sustainable environment.<sup>54</sup>

### **b. Alignment with national priorities**

128. The Phase III design of the URDP is fully aligned and contributes directly to Türkiye's Vision for 2053 which aims at making Türkiye an eco-friendly, disaster-resilient, technologically forward, and prosperous nation, prioritising equitable income distribution, consistent growth, and a robust economy. Of the five central themes that Türkiye's Twelfth Development Plan (NDP) pursues, URDP Phase III caters directly to: stable, strong, prosperous, environment-friendly and disaster resistant Türkiye, which produces high added value based on advanced technology and sustains fair income distribution in the century of Türkiye. The Phase III programme design seeks substantial alignment with important sectoral objectives of the GoT, including: (i) the objectives set in the Strategic Plan of MoAF 2024–2028, in particular related to sustainable production and rural development with emphasis on improving the quality of life and economic opportunities in rural areas, focusing on family businesses, women, and youth; (ii) resilience and adaptation by strengthening the agriculture sector's resilience to climate change; and (iii) better resource management by ensuring sustainable management of soil, water, and biodiversity. The Phase III programme will also endeavour to align with relevant sections of the "Law on Climate" which was passed by the Turkish General National Assembly on 3 July 2025 with the aim of protecting the country from all kinds of environmental disasters and the negative effects brought by the climate crisis.
129. Thanks to upgraded safeguard requirements and investments in traceability-branding, the programme will contribute to support alignment with increasing EU regulations and trade requirements. Türkiye's Customs Union (1995) and Association Agreements require alignment with EU standards on processed agricultural products, food safety, veterinary, and phytosanitary regulations. This alignment drives significant regulatory and institutional reforms with for instance, Türkiye Law No. 5996 (2010) on Veterinary Services, Phytosanitary, Food, and Feed, which mirrors EU requirements covering hygiene, residue control, animal welfare, plant protection, and environmental safeguards. Similarly, Türkiye enforces limits to pesticide residues and controls plant protection products (PPP) alongside the Turkish Food Codex (2021) and PPP Regulation. Beyond EU regulations, Turkish exporters, particularly in nuts, fruits, and vegetables, face import bans for aflatoxin, pesticide, or mycotoxin non-compliance — pressuring producers to maintain high standards. Pending reforms include expanding coverage to agriculture, services,

<sup>54</sup> See P 6-7 - [https://Türkiye.un.org/sites/default/files/2022-04/UNSDCF\\_17.03.22.pdf](https://Türkiye.un.org/sites/default/files/2022-04/UNSDCF_17.03.22.pdf)

and public procurement, which would further align environmental and climate norms.

130. Investments in climate resilient and green infrastructure (i.e. integrating improved nutrient management, buffer zone etc.) align with the Green Deal while IPARD programmes call for environmental criteria in market, irrigation, and storage infrastructure.
131. Close alignment has also been sought with the Mitigation Strategy and Action Plan (CCMSAP, 2024-2030) and the Climate Change Adaptation Strategy and Action Plan (CCASAP, 2024-2030); and the Twelfth Development Plan (2024-2028). The country has reaffirmed its commitment to reduce its greenhouse gas emissions by 41% through 2030 (695 Mt CO<sub>2</sub> equivalent in 2030) compared to the business-as-usual scenario.<sup>55</sup> The programme can support Türkiye's commitment to 2053 net-zero emissions, including ecosystem-based adaptation, green infrastructure, and biodiversity mainstreaming. It can also support the adaptation plan which includes measures to increase the resilience of agricultural practices to climate change, including improving water management, reducing the impact of droughts, and promoting sustainable agricultural practice.
132. Close alignment has also been sought with Türkiye's increased engagement on the environmental front. The "Green Deal Action Plan" of Türkiye (2021) emphasizes environmental and social sustainability and promotes technological innovation, increasing renewable energy use, and improving waste and residue management. The programme design is also fully aligned with: (i) the Water Efficiency Strategy and Action Plan (2023-2033) which, considering the 77% share of agriculture in total water use in the country, aims at increasing irrigation efficiency from the current 50.4% to 60% by 2030 and 65% by 2050; (ii) Türkiye's Drought Mitigation Strategy (2023-2027) that calls for soil and water conservation aligned with biodiversity objectives; (iii) the National Desertification Plan which includes targets for pasture restoration and sustainable grazing — relevant for programme supported agro-pastoral infrastructure; and (iv) Türkiye's National Biodiversity Strategy and Action Plan (NBSAP, 2001; updated 2018-2028) which is currently being revised to comply with the Kunming-Montreal Global Biodiversity Framework (GBF), with increased attention to sustainable land use, and institutional strengthening, integrating biodiversity into all sectors, notably agriculture and rural infrastructure. In addition, Türkiye has ratified the GBF that promotes a "whole of society and whole of government approach" which can be supported by the EDCs and MSPs of the programme.
133. The National Food Systems Pathway is a key document that promotes an integrated approach for food systems development, with specific targets that foresee reductions in the use of pesticides, antimicrobials and chemical fertilizers, the development of organic production, increased renewable energy use in agriculture and improved management of waste and residues.

**c. Alignment with the COSOP (2025-30) and widening partnership, including SSTC.**

134. During the remaining two years under Phases I and II and the entire implementation period of Phase III full alignment will be sought with the (new, 2025-2030) COSOP's three strategic objectives of: (i) strengthening the sustainable governance and use of natural resources; (ii) enhancing productivity and market access through inclusive and climate-resilient agrifood systems; and (iii) expanding economic opportunities for rural women and youth. To this end, emphasis will be placed on policy engagement to support local governance structures, adoption of innovative and climate-smart technologies, stronger private sector and cooperative

<sup>55</sup> Republic of Türkiye Updated First Nationally Determined Contribution.



linkages for value chain development, and targeted measures to improve inclusion, especially for young people and vulnerable groups. In addition, Türkiye's role as a provider of South-South and Triangular Cooperation (SSTC) would offer a strategic opportunity to showcase URDP's experiences and share knowledge with other countries in the region and beyond. In particular, SSTC efforts under the third phase of URDP will include exchange visits for policymakers, provincial administrators and programme staff across the country and region, as well as meeting events that both enhance IFAD's role and facilitate the evidence-based transfer of methodological approaches. These initiatives will also help to create trade opportunities for Turkish manufacturers of agricultural equipment and technologies, with a view to long-term engagement.

135. URDP Phase III will aim at reinforcing local grassroots institutions and address global public goods such as biodiversity conservation, and climate change adaptation and mitigation and inclusive market outlets. Scalable models developed in this regard will be shared with other countries through SSTC as will models for social inclusion and rural enterprise development promoting equity as a global public good.
136. One additional specific area of SSTC collaboration with the Turkish Ministry of Agriculture and Forestry to be developed under URDP will be to assess the use of artificial intelligence in SSTC activities in areas such as drought prediction and broader climate change impacts, planning of medium-term agriculture production bearing in mind evolving global demand for specific commodities and varying macroeconomic, social or political trends, with the ultimate aim of developing a strategy for the use of artificial intelligence in agriculture which will support both decision-making and implementation approaches.
137. The COSOP 2025-2030 suggests maintaining focus on forest villages in mountainous areas along the Mediterranean and Black Sea regions, with renewed emphasis on nature-based solutions, including increasing climate adaptation and mitigation measures related to basin management, land consolidation, CSA, reforestation, green energy, and carbon sequestration.
138. Active engagement with the ongoing FIRAT project may foster improved collaboration with OGM and ORKOY's grant schemes in upland forest villages. FIRAT is also developing a more structural partnership with ZIRAAT Bank which can be adapted to URDP's context. Furthermore, URDP may involve SPAs and other development partners, including relevant UN entities, from the beginning of SIP and MSP in order to tap into their expertise and co-financing as well as involving the RDAs to enhance the technical assistance and training provided to young people and farmers, cooperatives and MSMEs, including in digital solutions, and support the creation of a market for these services to alleviate the reliance on public extension services.
139. The third phase of URDP will build on innovative hybrid - green infrastructure designs addressing climate change through guidance being developed by the World Bank (TULIP) or other investments on nature-based solutions that can inform more resilient design of rural infrastructure.
140. In parallel, URDP will strengthen partnerships to enhance policy engagement and inform decision makers about IFAD-promoted approaches. It will support the scaling up of successful interventions while building institutional capacities through analytical work and data generation aimed at addressing rural poverty and inequality. Lessons learnt from policy engagement will systematically be captured to enable continuous adaptation and improvement.
141. Key policy areas to be pursued include: (i) Establishing guidelines for the empowerment of youth and women farmers' organizations, including financial, technical and managerial training to enhance their access to microfinance and

markets, while also supporting unregistered farmers in accessing public funds; (ii) implementing policies aimed at retaining and attracting young farmers in rural areas to reduce rural-urban migration; and (iii) promoting inclusive contract farming arrangements involving among others private sector entities in upland communities, ensuring that the expectations of the most vulnerable producers are safeguarded.

142. Special efforts will be made to strengthen links between farmers' organizations and cooperatives with private sector entities, including processors represented by the Turkish Industry and Business Association, the Union of Chambers and Commodity Exchanges, and local agricultural credit cooperatives, to support value chain development and partnerships that benefit both smallholders and agribusinesses relying on their production. Discussions with commercial banks will also be intensified to improve smallholders' access to finance and training opportunities. In parallel, new partnerships, including with universities and research institutions, will be explored to support financing and technology transfer, with the aim of leveraging private sector resources and innovation for more inclusive growth and environmental sustainability.

**d. Alignment with IFAD policies and corporate priorities.**

143. In Phase III the inclusive approach adopted by URDP under which the active participation of women, youth and vulnerable groups are sought will be continued. The proposed targeting strategy for Phase III has a sharper focus on the very poor HHs and has increased allocation of resources for supporting them. More emphasis has been put on undertaking social mobilization activities with which women, youth and vulnerable HHs will be consulted to ensure that project programme activities take into consideration their specific needs when selecting EDCs and within that the infrastructure-related activities. This will be supported by operationalising MSPs in the programme clusters.

**F. Costs, benefits and financing**

**a. Programme costs**

144. With the downscaling and the approval of the additional financing in 2020 and extension of the programme period under the first loan, URDP would be implemented over nine years with estimated total cost of EUR 74.394 million and IFAD financing of EUR 55.144 million. The proposed scaling-up of URDP in four new provinces would be implemented over three years at an estimated total cost of EUR 47.035 million, of which 34.166 million would be financed by IFAD. Over a 12-year period stretched over three phases the total cost would be EUR 120.532 million; of which, EUR 88.409 million would be IFAD loans financed.
145. Over three phases of URDP, Component 1 – Promotion of upland economic development clusters would account for 86.4% of the total costs and programme management and coordination, 13.5%. Of the IFAD financing, 96% would be spent on investments and only 4% would cover recurrent costs.

**Table 1. Original and additional financing summary**  
(Euro Thousands)

	<i>Original financing*</i>	<i>Additional financing</i>	<i>Total</i>
IFAD loans	54 244	34 166	88 410
IFAD grant	900	0	900
Beneficiaries	6 585	9 317	15 902
Borrower/recipient	12 665	2 656	15 321
<b>Total</b>	<b>74 394</b>	<b>46 138</b>	<b>120 532</b>

\* Costs and financing recalculated at MTR.

**Table 2. Additional financing: programme costs by component and financier**  
(Euro Thousands)

Component	Additional IFAD loan		Beneficiaries		Additional - Beneficiaries			Government		Additional Borrower/ recipient			Total Amount
	Amount	%	Costs MTR	Costab 29 June 2025	Cash	In-kind	%	Costs MTR	Costab 29 June 2025	Amount	In-kind	%	
1. Promotion of upland economic development clusters	32,958	96	6,585	15,902	5,590	3,727	100	11,084	7,332	-3,752		-141	38,523
3. Programme management	1,208	4	0	0	0	0		1,581	7,988	6,407		241	7,615
<b>Total</b>	<b>34,166</b>	<b>100</b>	<b>6,585</b>	<b>15,902</b>	<b>5,590</b>	<b>3,727</b>	<b>100</b>	<b>12,665</b>	<b>15,321</b>	<b>2,656</b>		<b>100</b>	<b>46,138</b>

NB: component 2 was cancelled.

**Table 3. Additional financing: programme costs by expenditure category and financier**  
(Euro Thousands)

Expenditure category	Additional									
	IFAD loan		Beneficiaries			Government		Borrower/ recipient		Total
	Amount	%	Cash	In-kind	%	Costs MTR	Costab 29 June 2025	Amount	%	
<b>Investment costs</b>										
Consultancies, training and workshops	1,424	4%				13	38	25		1,449
Goods, services and equipment	460	1%				0	0	0		460
Grants and subsidies	24,893	73%	5,590	3,727	100%	1,211	280	-931		33,278
Works	6,064	18%				6,406	5,051	-1,355		4,709
<b>Total investment costs</b>	<b>32,842</b>	<b>96%</b>	<b>5,590</b>	<b>3,727</b>	<b>100%</b>	<b>7,630</b>	<b>5,368</b>	<b>-2,262</b>		<b>39,897</b>
<b>Recurrent costs</b>										<b>0</b>
Operating costs	1,324	4%	0	0	0%	5,035	9,953	4,918		6,242
<b>Total recurrent costs</b>	<b>1,324</b>	<b>4%</b>	<b>0</b>	<b>0</b>		<b>5,035</b>	<b>9,953</b>	<b>4,918</b>		<b>6,242</b>
<b>Total</b>	<b>34,166</b>	<b>100%</b>	<b>5,590</b>	<b>3,727</b>	<b>100%</b>	<b>12,665</b>	<b>15,321</b>	<b>2,656</b>		<b>46,138</b>

**Table 4. Programme costs by component and by year**  
(Euro Thousands)

Component	2020-2024	2025	2026	2027	2028	2029	2030	Total
1. Promotion of upland economic development clusters	27,706	18,807	16,932	14,845	14,141	11,589	197	104,216
2. Programme Management	11,213	1,040	1,104	922	823	815	398	16,315
<b>Total</b>	<b>38,918</b>	<b>19,847</b>	<b>18,036</b>	<b>15,767</b>	<b>14,964</b>	<b>12,404</b>	<b>595</b>	<b>120,532</b>

## **b. Programme financing strategy and plan**

146. The programme will be financed through: (i) the first IFAD loan of EUR 35.15 million that is already effective (covering 29% of total costs); (ii) the second IFAD loan of EUR 19.094 million, already effective (16% of total costs); (iii) the IFAD grant of EUR 0.9 million that is already effective; (iv) an additional loan of EUR 34.17 million (equivalent to US\$ 40 million at the EUR/US\$ exchange rate of 1.171 prevailing at the end of June 2025), to be proposed to the IFAD Board in 2025; (v) a contribution of the Republic of Türkiye estimated at EUR 15.3 million (13% of total costs); and (vi) a beneficiaries' contribution estimated at the equivalent of EUR 15.9 million (13% of total costs).
147. The Government contribution consists of: (i) Seconding part of the programme staff (e.g. the field technical support team); and (ii) waiving all taxes and duties on goods and services procured under the programme. This contribution is provided both directly (waiving taxes) and indirectly (in-kind such as the seconded personnel). Beneficiaries will co-fund the privately-shared economic infrastructures and the youth entrepreneur start-up packages (25% of investment costs) and the cluster investment partnerships (30% of investment costs).

## **c. Disbursement**

148. URDP's additional financing will take the form of a US\$ 40 million IFAD loan under the IFAD 13 replenishment cycle. The programme will consist of four investment categories, viz., civil works; goods, services and equipment; consultancies, training and workshops; and grants and subsidies and one recurrent category for salaries and operating costs. The recurrent cost of the programme comprises 5% of total programme cost whereas the investment cost comprises 95% of total programme costs. The programme implementation period will be three years, covering the indicative period up to 31 March 2030.
149. Flow of funds and disbursement arrangements: The SPD can request funds from IFAD directly by submitting withdrawal applications through the IFAD Client Portal (ICP). Funds will be paid to the programme designated account (DA) that will be opened at the Central Bank in the borrowing currency. In addition, one operating account in local currency will be opened to receive transfers from the corresponding designated account. Furthermore, the programme will open a dedicated bank account in local currency in which the government contribution will be deposited.
150. The Programme will be withdrawing funds from IFAD using the Report-based disbursement mechanism. Advances will be withdrawn based on cash forecasts that will be submitted for a 6-month period. Withdrawal applications will include the quarterly Interim Financial Reports (IFRs), and other reports as mentioned in the Financial Management and Financial Control Arrangements Letter (FMFCL). The report-based disbursement mechanism will serve also as an analytical tool for assessing the programme's periodic and overall/cumulative performance. Furthermore, the programme will require adequate cash forecasts on a quarterly basis that reflect the cash needed for the subsequent reporting periods, to be aligned with the AWPB.

## **d. Summary of benefits and economic analysis**

151. **Economic benefits.** The URDP will generate numerous tangible socio-economic benefits, including: (i) increased agricultural and animal production thanks to the facilitated access of smallholders and young entrepreneurs to inputs, knowledge, value chain finance, improved technologies, and markets; (ii) increased incomes for both direct and indirect beneficiaries and consequently increased food security and nutrition of target households; (iii) enhanced market opportunities for rural producers and their organizations whose technical and managerial capacity will be strengthened, provided with access to finance (via matching grants), and better linked to markets and traders, which in turn may lead to increased producer prices

and greater share of benefits accruing to producers as well as increased commercial resilience; (iv) reduced asymmetry of technical and market information between value chain actors; (v) longer term multiplier effects of strengthened capacities of smallholders and their organizations; (vi) enhanced social and economic inclusion of youth and women; (vii) restored and increased water productivity (in physical and monetary terms), thanks to the establishment and rehabilitation of irrigation schemes; (viii) higher resilience to shocks of vulnerable households and earthquake-affected populations; and (ix) a more sustainable and inclusive private sector rural growth with enhanced institutional capacity, greater community participation, etc. These mutually-reinforcing benefits will be the result of the innovative economic clustering programme approach which aims to overcome the fragmented and inconsistent production causing commercial isolation and limited value added in the uplands.

152. Quantified economic benefits considered in the analysis are tangible benefits generated by component 1, in particular the incremental net value of agricultural and animal production generated by the matching grant scheme and the incremental cash flows derived from the value chain infrastructures (irrigation schemes, dairy processing, markets, etc.). Non-considered benefits are those that could not be valued but may play an important role in reducing inequities and improving social stability in the programme intervention areas. They notably include: (i) the longer-term multiplier effects of strengthened capacities and enhanced access to technologies of smallholders and their organizations and the reduced asymmetry of technical and market information between value chain actors; and (ii) improved natural resource management, notably better landscape management.
153. **Financial analysis.** The financial analysis built on various sources of information, the main ones being the Monitoring and Evaluation (M&E) data provided by the PMU and the field data collected during the Mid-Term Review (MTR) carried out at the end of 2023. Given the wide range of agricultural products and the different profiles of beneficiaries who have been and will be supported, the type of investments to be modelled were chosen based on their past and expected demand. Hence, a total of 18 models have been prepared for indicative crops and livestock to forecast the return of various types of cluster investment partnerships, youth start-up packages, infrastructure construction and rehabilitation (irrigation schemes, livestock markets and dairy centres). The analysis compares with-programme and without-programme situations from the perspective of the target beneficiaries. It assumes a gradual uptake of improved technologies. For cluster investment partnerships and youth start-up packages, the main upland products having both market and income potential for smallholders which have been modelled are the following: nuts and fruits, vegetables, honey, and live animals and milk. Pastoralist livelihood improvements for semi-settled transhumant pastoralists were estimated through a model of goat rearing and dairy production. The returns of vulnerable households support and emergency relief packages for the earthquake-affected households were estimated through a greenhouse vegetable production and goat fattening model. Concerning economic infrastructures (both privately-owned and public), the lack of which is one main reason behind the commercial isolation and limited value added in the uplands, four models in high demand were developed: two models for the establishment and/or the rehabilitation of milk collection centres managed by cooperatives; and one irrigation improvement model and a second one for the establishment of a livestock market to showcase the returns from investing in public economic infrastructure. All financial models demonstrate the profitability of the investments, as summarized in the Table below.

**Table 5. Summary of financial returns from URDP grant support**

Category	Model	Net incremental benefits (EUR/unit/year)*	Net present value (@12.5%, 10/15/20-year, EUR)	IRR (%)	B/C
Cluster investment partnerships	Walnut garden	10,793	26,290	43.2%	2.3
	Hazelnut garden	3,774	11,523	31.3%	2.0
	Strawberry garden	1,519	2,846	32.2%	1.2
	Vegetable greenhouse	2,026	2,620	22.1%	1.2
	Beekeeping	2,111	4,201	25.8%	1.2
	Goat fattening	984	1,696	28.0%	1.1
	Cattle rearing	3,814	9,399	26.7%	1.6
Entrepreneur start-up package for trained youth	Strawberry garden	1,669	3,681	37.8%	1.2
	Vegetable greenhouse	2,205	3,465	25.0%	1.3
	Beekeeping	5,596	8,719	32.4%	1.2
	Cattle rearing	6,883	16,693	23.6%	1.3
Pastoral livelihood improvement	Goat rearing	6,276	19,394	39.2%	1.3
Vulnerable support packages	Vegetable greenhouse	729	943	22.1%	1.2
Emergency relief packages	Goat fattening	1,033	1,970	30.6%	1.1
Privately-shared economic infrastructure	New milk collection centre	20,032	53,826	32.6%	1.02
	Rehabilitated milk collection cen	7,358	13,313	27.1%	1.02
Public economic infrastructure	Irrigation	1,512	1,970	30.6%	1.1
	Livestock market**	598,692	3,518,119	34.4%	11.02

\*at full realization of benefits, depending on the model, it could be an average over the lifespan of the main investment \*\*these are economic results and not financial due to the nature of the model, the discount rate is the social one, i.e. 6%

154. **Economic analysis.** A cost-benefit analysis was conducted to assess the economic viability of the URDP from the overall standpoint of the national economy. It follows the standard methodology for cost-benefit analysis recommended by IFAD and the World Bank. Detailed calculations for the aggregation of economic benefits by model, investment costs, economic cash flows and sensitivity analyses were made for a 20-year period. Conversion factors have been calculated for different product categories and have been used to convert financial into economic prices. The analysis assumes reasonable adoption rates depending on the activity. Aggregations of benefits derived from the above-described various models (expressed in economic values) follows the actual (period 2020-2024) and planned (period 2025-2030) pace of disbursement of the various activities generating benefits under component 1. As some of the programme investment costs are integrated in the individual models, the total programme economic costs have been adjusted to avoid double-counting. For the years subsequent to the closure of the URDP, an additional yearly cost has been considered for the maintenance of infrastructures and after closure monitoring expenses of the programme.

155. **Overall, the expected economic results of the URDP are very positive.** The programme would generate a net present value (NPV, at 6% social discount rate) estimated at EUR 107.5 million and an economic internal rate of return (EIRR) of 23% over a 20-year period. These economic results are very satisfying, given that some benefits could not be quantified and the difficulties faced by the programme in starting its implementation in the first years. Moreover, these results are higher than what was estimated at design (EIRR of 14.5%) reflecting the high relevance of the programme approach and activities, and its efficacy in reaching the target groups with appropriate interventions. A sensitivity analysis was run to test economic viability of the programme against several risk scenarios (reduced benefits, delays in implementation and accruing benefits, cost overruns). It indicates that economic results are very robust for all tested scenarios. The EIRR and NPV would still

establish at respectively 16% and EUR 36 million in the extreme case in which benefits would be halved.

**Table 6. Sensitivity analysis Summary**

Scenarios		EIRR	NPV (EUR million) a/
Base scenario		23%	108
Costs	+10%	22%	104
Costs	+20%	22%	101
Costs	+30%	21%	97
Benefits	-10%	22%	93
Benefits	-20%	21%	79
Benefits	-30%	20%	65
Benefits	-50%	16%	36
Benefits delayed	1 year	21%	89
Benefits delayed	2 years	19%	72
Benefits delayed	3 years	16%	56
Benefits delayed	4 years	14%	41

a/ 6% social discount rate

#### **e. Exit Strategy and Sustainability**

156. In Phase III the sustainability features and mechanisms envisaged in the original design will be continued and strengthened, if and when required. Overarchingly, a strong focus on sound business plans and 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. In Phase III, emphasis will be laid on supporting beneficiaries' transition from a semi subsistence agriculture to a more commercialized agriculture which treats farming as a business with long term profitability safeguarded through production practices that protect the environment. Farmers will be supported to analyse cost-benefits of their own business and develop sound business plans to improve profitability in the long run. In addition, a judicious combination between infrastructure investments such as in building irrigation and market infrastructure and on-farm developments enabling increased agricultural productivity through activities such as demonstration and farmers' exchange visits, should increase the sustainability prospects of URDP substantially. Increased allocation of resources for social mobilization and strengthening of the grassroots institutions in Phase III, continued technical assistance and inputs as well as support for aggregation and marketing, while working with private sector partners, should also contribute significantly to the sustainability prospect of URDP.
157. Sustainability is being built into the design of the cluster supportive infrastructure component in several critical ways. The exit strategy shall be an integral part of the feasibility study and design plans, clarifying governance and effective operations and maintenance mechanisms. Existing natural resources (land, pastures, water) will be used more efficiently and profitably with the application of a demand-driven and cost-shared approach and by enhancing the capacity of the target group. This will enable the target groups to respond more resiliently to the commercial and environmental challenges whilst having a financial incentive and means to finance the recurrent cost of the investments. The supported irrigation systems will be relatively simple to operate and maintain by the beneficiaries and could be undertaken by informal Water Users Association (WUAs) of groups in coordination with the village Mukhtar, as is the current practice. The programme will also identify potential relevant digital tools that can facilitate collective management of such infrastructure and resources.

158. Environmental sustainability and climate resilience have been substantially strengthened through the systematic development of tailored ESMPs during the feasibility and design phase to identify and address environmental, social and climate risks that can threaten sustainability of benefits. Furthermore, such risks will be incorporated in the cost-benefit analysis. This includes sound and efficient management of natural resources (water, soil etc.) and improved climate adapted advisory and varieties. In addition, the programme will seek to leverage such orientation with both uplands specific landscapes and products.
159. In terms of institutional sustainability, most parts of URDP are being implemented using the existing organisational structure and management systems of GDAR. Recruitment of additional staff has been kept to the minimum, thus preventing drastic withdrawal of follow-up support after programme completion. An impressive array of preparatory activities undertaken by the PDAs, as noted by the AF mission are expected to enable a seamless convergence between the activities undertaken with URDP and the regular governmental budget and an equally smooth transition at programme completion point of URDP.
160. The CPMU has prepared a draft exit strategy and sustainability plan which builds on two pillars: i) development and strengthening of FOs and ii) development of agribusiness marketing partnerships. It contains a matrix that identifies the activities, actions, and timeline for all key assets created, e.g. irrigation infrastructure and some processes such as farmers' training. While the strategy has all key elements, it needs to also explicitly identify continued access of participating producers to high quality and technical assistance and inputs as a third pillar. It also needs to put emphasis on documenting evidence to ensure that proven good practices and lessons learnt from URDP investments are institutionalised in technical guidelines, regulations and eventual policy recommendations for sustainability and scaling up.
161. Considering the earlier completion of programme activities in the 6 provinces started as part of the first phase, discussions on the exit strategy involving all key actors identified in the matrix need to begin immediately so that the final draft is readied by 31 October 2025. Implementation of the exit strategy will formally be initiated in January 2026 after getting consent of GDAR/MoAF and IFAD and will, *inter alia*, involve: (i) orientation and mobilizing programme staff at different levels and (ii) discussions on the sustainability and exit strategy in each of the plan/activities/meeting/workshops for setting the stage to understand the role of respective stakeholders and communities after the phase out of the programme. The implementation status of the Sustainability and Exit Strategy adopted by URDP will be closely monitored by the CPMU and the supervision missions while corrective action, if any, will be undertaken promptly.

#### **IV. Risk Management**

##### **Risks and mitigation measures**

162. The Integrated Project Risk Matrix (IPRM) has been attached.
163. While implementation progress in initial years was unsatisfactory due to COVID-19 and inadequate allocation of funds mainly due to fiscal constraints, the latter was resolved satisfactorily following IFAD delegations' dialogue with the Government (Para 27). This shows a very high level of country ownership of IFAD-funded projects in Türkiye. This was confirmed by the CPSE which stated that '... the GoT has demonstrated political and economic commitment to IFAD's supported programme and has contributed significantly to the development and implementation of projects both at the central and provincial levels.' The Phase III of URDP builds upon this firm foundation. Importantly, the Additional Financing design of URDP was initiated based on a request from the GoT following the



disbursal of over half of the resources committed by IFAD for carrying out Phase I and Phase II activities.

164. As noted in paragraph 130, URDP's design framework has been aligned fully not only with the NDP and MTP but also with key sectoral policies and strategies. The Phase III design would essentially scale-up the activities successfully undertaken so far while also introducing some key innovations that are expected to enhance the impact of URDP over the intended beneficiaries. The redesign has factored-in the key lessons learnt (paragraphs 59-62) which is expected to improve the implementation performance of the programme.
165. Overall, a strong buy-in for the scaling-up of URDP to include 4 new provinces by a wide spectrum of stakeholders was noted during the Additional Financing design, also shown by the GoT's commitment to allocate additional resources, over and above what has been historically committed by the government, for carrying out programme activities not covered by IFAD funding and thereby enabling the increase of overall outreach. The preparatory activities in most of the new provinces are well advanced. Türkiye's fiscal balance is projected to improve over the years (paragraph 35) and thus the likelihood that URDP will be provided with adequate resources is generally high. Should any under-allocation occur in any year, dialogue with the government by IFAD is likely to resolve the issue. Experience shows that the constraint on programme funding if and when faced, can be resolved with dialogue with the Turkish authorities (paragraph 27).
166. In sum, while the risk associated with political context is rated as substantial in the IPRM matrix, its adverse impact can be kept at a manageable level.
167. Environmental, social and climate related risks are depicted in the below sections and SECAP annex. Türkiye's public sector management has undergone significant reforms over time and has involved decentralization efforts and an increased focus on managerial practices. However, challenges remain in achieving full decentralization and ensuring democratic governance alongside these reforms. These pose implementation challenges. A key issue is frequent changes in the management of institutions, and this may occur at the central, regional and provincial levels with effects on implementation arrangements and the timeliness of achieving programme development objectives. In the last 3 years, however, these challenges have not materialised to any significant degree and URDP has made satisfactory progress.
168. Overall, implementation risks are perceived to be moderate at most and have been reduced further by: (i) better aligning Phase III activities with the ground realities; (ii) substantially increasing the relevance of URDP to the poorest and most vulnerable HHs which will be achieved by allocating a higher proportion of IFAD resources in favour of the poorest and most vulnerable HHs and meeting the needs of the districts and the villages which face border-line poverty and vulnerability by using the GoT's resources; and (iii) adopting a dynamic and proactive approach to programme management and thereby reducing the overall cost of managing the programme.

## **Procurement**

169. As part of the initial design of the URDP, IFAD conducted (i) country-level procurement assessment; and (ii) an evaluation of the procurement arrangements to be followed during the project implementation. The country-level assessment confirmed that Türkiye has a well-functioning national procurement system, supported by a structured institutional and legal framework, including the use of e-tenders and the role of procurement, audit, and complaints bodies. However, several procurement risks were identified including: inconsistencies in procurement practices with IFAD guidelines, particularly for consulting and non-consulting services; lack of strategic procurement planning and clearly defined responsibilities

across implementing partners; inadequate addressing of SECAP requirements within the national Public Procurement Law; and limited capacity in managing IFAD-financed projects. To address the gaps between Türkiye's national procurement system and IFAD's procurement framework, a set of mitigation measures are being implemented, including: full adherence to IFAD's Procurement Policies and Procedures; use of complaint reporting hotlines and self-certification mechanisms; compliance with the IFAD Procurement Handbook and related guidelines; mandatory preparation of Annual Work Plans and Budgets (AWPBs) and Procurement Plans (PPs) using IFAD-prescribed templates; use of IFAD's digital procurement platform, the End-to-End system "OPEN," for planning, no Objection requests, and contract implementation monitoring; initial capacity-building and continued training through platforms such as BUILDPROC to ensure staff proficiency; application of the multiple-eye principle to strengthen procurement controls and ensure compliance with SECAP and fiduciary standards. In Phase III these measures will be applied rigorously, as and when required.

170. To further promote inclusive and efficient procurement processes, IFAD will support the development of private sector procurement capabilities through the following actions: Policy Advocacy and Regulatory Support: Simplify procurement procedures and promote fair competition; Capacity Building: Target SMEs, farmer organizations, and local businesses with tailored training; Facilitating Access to Finance: Partner with financial institutions to offer appropriate financial products and services; Promoting Public-Private Partnerships (PPPs): Encourage joint infrastructure development and service delivery models; Leveraging Technology and Innovation: Utilize digital tools, e-procurement systems, blockchain, and data analytics to increase transparency and improve decision-making.
171. In accordance with the Procurement Arrangement Letter (PAL) for the ongoing URDP, procurements undertaken by UNDP shall be governed by UNDP's Procurement Rules and Regulations. In addition, Special Provincial Administrations (SPAs), operating under the framework of Turkish Law No. 5302 on Special Provincial Administration within the programme's targeted areas, may support implementation activities within the scope and limits defined in the PAL, by adhering to the procurement procedures set forth in the Financing Agreement and the PAL. These same provisions will also apply under the URDP Additional Financing. If procurement responsibilities are delegated to a Local Entity (LE) such as a Special Provincial Administration, IFAD will first undertake a formal procurement capacity assessment, including completion of the Procurement Risk Matrix (PRM) Part B to confirm the LE's readiness and compliance. The Programme Management Unit (PMU) will be responsible for hiring, training, and retaining qualified procurement personnel as defined in the programme design. The Procurement Implementation Manual will include the Procurement Risk Analysis and mitigation measures, as well as the Procurement Strategy, both essential components of the programme's procurement framework.

### **Financial Management**

172. The Republic of Türkiye faces substantial governance and financial management (FM) risks. According to the 2024 Corruption Perceptions Index, Türkiye scored 34, ranking 107th out of 180 countries, reflecting a gradual decline compared to its score of 40 in 2020. While no recent Public Expenditure and Financial Accountability (PEFA) assessment has been conducted, government-led reforms have aimed to improve areas such as budget transparency and classification, public procurement systems, and internal and external audit functions. However, the absence of recent independent diagnostic reviews limits the ability to fully verify progress.

### **Financial Management Overview**

173. Based on the financial management assessment that was performed on SPD, the FM risk is Moderate, primarily due to risks under the implementation arrangements

especially in relation to outsourcing of the financial and procurement support and risk of liquidity shortfalls in the event of insufficient annual budget allocations from the Treasury for the programme. Despite this, current finance staff who are contracted through UNDP have good experience in managing IFAD-funded projects. Several mitigation measures are in place to strengthen FM performance.

174. Key mitigation measures include: (i) availing of dedicated finance staff for IFAD projects, with clear roles and responsibilities; (ii) ensuring back-up plan for authorization mechanisms in case of key staff changes; (iii) starting the planning and budget process in the third quarter of each year with multiple flexible scenarios that would allow for swift adjustments upon receiving the programme annual budget allocation from the Treasury; (iv) maintaining proactive dialogue with the Ministry of Treasury & Finance to prevent allocation limits; (v) liaising with the MoAF's internal audit unit to include IFAD projects in the internal audit plan; and (vi) working towards IFR automation from the start of the new financing.

### **Organization & Staffing**

175. The Study and Projects Department (SPD) will use its own existing, well-functioning financial management structure which is mainly outsourced to UNDP.
176. The SPD under the Ministry of Agriculture and Forestry in Türkiye plays a central role in planning, coordinating, and managing agricultural and forestry projects across the country. The department oversees project design, implementation, monitoring, and evaluation to ensure alignment with national policies and international standards. However, the department does not have resources to cover the financial and procurement aspects of the projects, hence, as for the current ongoing projects (URDP and GTWDP), these aspects are outsourced and covered by UNDP.
177. Two dedicated Financial Management Analysts along with three support staff from UNDP (UNDP portfolio Advisor (Finance) and two programme assistants) work on the programme's financial management.

### **Budgeting and Flow of Funds**

178. Budgets will include all activities for the year, segregated by quarter, component, category and by financier. The programme will use IFAD's report-based disbursement mechanism, submitting quarterly Withdrawal Applications and Interim Financial Reports to justify the reporting quarter expenditures and to request additional advances based on their cash needs. The ongoing projects consistently face delays in submitting the AWPB each year. Planning only begins in December after the Strategy Budget Department announces the project annual allocation. This is not in line with IFAD's requirement of submission of the AWPB 60 days prior to the start of the year.

### **Accounting and Disbursements**

179. The programme will follow IPSAS - Cash Basis, ensuring expenditures are recorded and reported by component, disbursement category, and funding source. The SPD will be responsible for maintaining a complete and reliable set of accounts aligned with IFAD's financial reporting and audit requirements.
180. The SPD will use TOMPRO which is a reliable and adaptable accounting software. The software is capable of reflecting all sources and uses of funds, classifying expenditures by component, sub-component, and category and producing system-generated reports. The SPD will conduct monthly account reconciliations for reliability and maintain an up-to-date Fixed Asset Register and perform periodic physical verification.

## Financial and Interim Reporting

181. The SPD will be responsible for preparing and submitting quarterly Interim Financial Reports (IFRs) within 45 days of quarter-end, including: cash forecast statement; sources and uses of funds (by Designated Accounts); designated account (DA) activity statements; variance analysis (quarterly, yearly, cumulative). The unaudited Financial Statements shall be submitted within 4 months of financial year-end, and the audited Financial Statements shall be submitted within 6 months of financial year-end.
182. All reports will follow formats defined in the Financial Management and Financial Control Arrangements Letter (FMFCL) and will be automatically generated through the accounting software to ensure consistency, accuracy, and efficiency.

## Internal and External Audit

183. IFAD projects are rarely included in the MoAF internal audit plan. It is advised to check and work closely with the ministry to include IFAD projects in the internal audit annual plan at least every other year or in an organized manner.
184. The ongoing URDP has a reliable internal control framework over financial transactions, authorization process, segregation of duties and documentation of programme expenditures.
185. International funded projects in Türkiye are subject to external audit on an annual basis by the Board of Treasury Controllers under the Ministry of Treasury and Finance. Audit should be conducted in line with International Auditing Standards and IFAD financial reporting and auditing requirements as outlined in the IFAD Handbook for financial reporting and Auditing and the Audit term of reference that will be cleared by IFAD.

## Environment and social category

186. The proposed additional financing for the URDP has been categorized as **Moderate** in terms of environmental and social risk. This categorization is justified by the nature and scale of programme interventions, which are expected to include irrigation rehabilitation, small rural infrastructure, support to climate-smart agriculture, and rural economic development activities in ecologically sensitive upland regions.
187. The programme area contains biodiversity hotspots, high levels of land degradation, and existing encounters with wildlife. Risks related to biodiversity, pollution from agrochemical use, animal dejection, overgrazing, soil erosion, and water overuse are present due to investments in agriculture, livestock and infrastructure. However, they can be effectively mitigated by establishing a maximum threshold for infrastructure and through established safeguards and good agricultural practices.
188. Social risks include elite capture and the potential exclusion of vulnerable groups (e.g., women, youth, and marginal farmers), potential less applied labour regulations in the informal, small-scale agricultural sector, labour influx during construction, and limited economic displacement due to infrastructure development. In addition, community health risks have been identified alongside construction development (waste etc.), use of chemicals in agriculture and animal production. Child labour, sexual harassment, and gender violence are not foreseen in programme activities, although these will be strictly prohibited and carefully monitored.
189. However, the programme takes place in a context with existing established safeguards mostly aligned to IFAD's and the design integrates robust mitigation measures — such as an Environmental and Social Management Framework (ESMF), tailored Environmental and Social Management Plans (ESMPs), a grievance redress

mechanism (GRM), and targeted social inclusion strategies. The programme avoids activities with irreversible or large-scale impacts and does not trigger significant involuntary resettlement or sensitive cultural heritage issues.

190. Therefore, the **moderate** classification is considered appropriate, requiring structured but proportionate environmental and social due diligence and monitoring.

### **Climate risk classification**

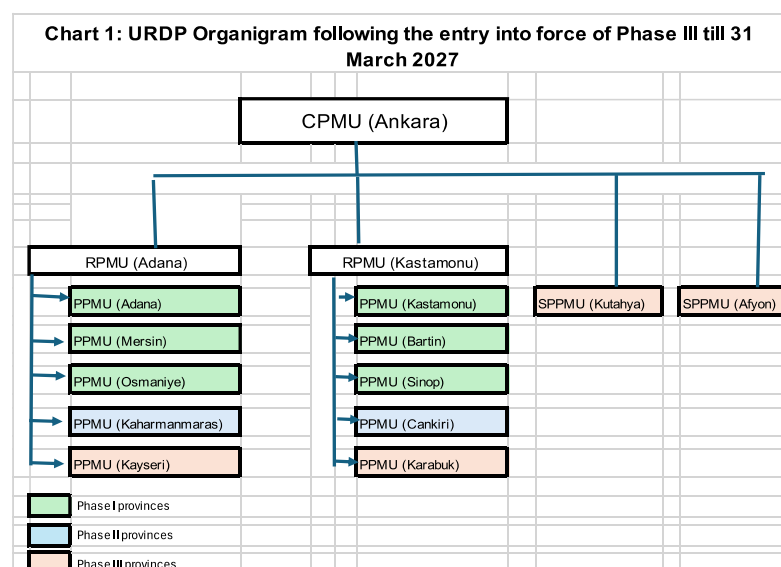
191. The climate risk classification for the proposed project is assessed as **Moderate**.
192. On the one hand, the programme covers provinces that are exposed to climate-related hazards such as drought, irregular precipitation, and land degradation — particularly in upland and semi-arid zones. In addition, proposed investments (e.g., small-scale irrigation rehabilitation, climate-smart agriculture, and rural infrastructure) are vulnerable to climate change. Finally, the agricultural sector remains quite dependent on fossil fuel, livestock and dairy being net emitters.
193. On the other hand, such exposure and vulnerability are moderated by two factors. First, the sensitivity of the targeted population is relatively low considering Türkiye's level of socio-economic development. Second, Türkiye benefits from strong national and regional adaptive capacity, including robust meteorological services, early warning systems, and public institutional frameworks for disaster preparedness and climate-informed planning. However, there may be gaps in the rural informal sector and upland remote areas. Therefore, the programme will integrate climate and environmental analysis within cluster investment plans and designs of infrastructure. Targeted diagnostics and advisory systems, capacity-building, climate resilient designs and demonstrations will address gaps in localized vulnerability data or in the outreach of existing services to more remote or underserved groups. The programme will therefore strengthen this adaptive capacity at the community level by promoting sustainable resource use, climate-resilient infrastructure, and improved access to climate information services. In addition, the programme will support improved energy efficiency, and access to renewable energy (i.e. solar powered irrigation, fences etc.).
194. Based on IFAD's SECAP criteria and balancing substantial exposure with lower sensitivity and high institutional and technical adaptive capacity, a **moderate climate risk classification** is considered appropriate.

## **V. Implementation**

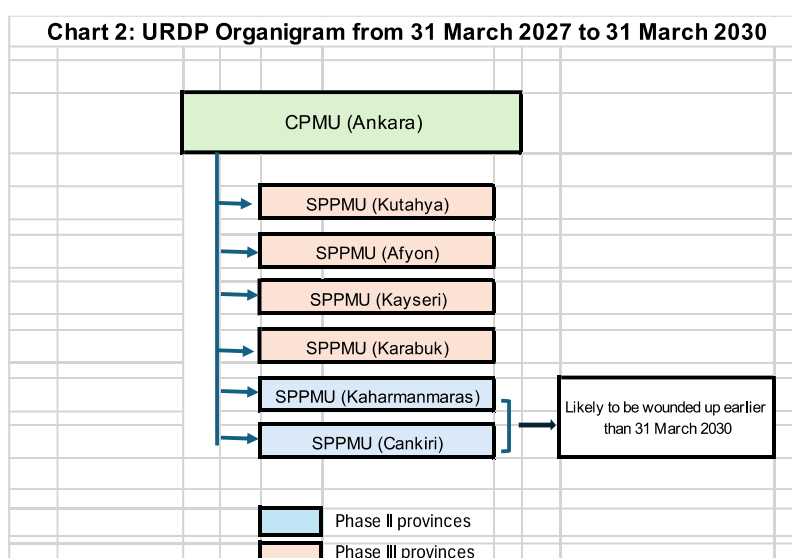
### **A. Organizational Framework**

195. URDP is currently being implemented under the leadership of the Ministry of Agriculture and Forestry (MoAF) through the GDAR. A Project Steering Committee (PSC) is formed by MoAF under the chairmanship of the Director General of GDAR. Within GDAR, the Survey and Projects Department (SPD) acts as the Central Programme Management Unit (CPMU), and its chief plays the role of the Programme manager. The CPMU carries out the overall programming and budgeting of URDP activities and takes the lead in facilitating implementation. Specifically, the CPMU discharges 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 also takes the lead in the procurement of civil works and goods and services.
196. Below the CPMU, the two regional programme management units (RPMUs) have been established with the responsibility for overseeing and guiding implementation in the eight provinces. The RPMUs are based in the Provincial Directorate of Agriculture and Forestry (PDAF) and are located in Kastamonu and Adana respectively for Black Sea and Eastern Mediterranean regions. Implementation in each of the provinces is led by respective Provincial Project Management Units (PPMUs) supported at the ground level by the field support teams.

197. While the changes in the management systems will be kept to a minimum during the remainder of the implementation period of URDP, an adaptive, pro-active and dynamic approach in managing the programme will be adopted in order to minimize overhead costs and optimize efficiency. Hence, the organizational structure will undergo changes along with the phasing in and phasing out of the provinces.
198. Once the Phase III implementation starts, the new provinces of Kayseri and Karabük, which are contiguous with the existing provinces, will be brought respectively under the regional offices of Adana and Kastamonu. PPMUs will be established in these provinces in line with the PPMUs in existing provinces staffed by a Provincial coordinator (1), agricultural management officer (1) and social mobilization officer, either seconded or recruited. This core team will be supported by a field support team (FST) staffed by one each of agronomist (including horticultural crops), livestock officer (zootechnician or veterinarian), and social mobilization officer (female to the extent possible). No changes have been proposed for restructuring the RPMUs since the activities in the existing provinces are likely to start decreasing from mid-year 2026 when Phase III is likely to start.
199. Considering that the provinces of Kütahya and Afyonkarahisar are not contiguous to existing provinces and thus difficult to be served by the existing RPMUs, these would not be put under these offices. Instead, a strengthened provincial programme management unit (SPPMU) will be established in these two provinces staffed by one each of the Provincial coordinator; agricultural management officer; social mobilization officer; and, contingent upon the scale of infrastructure development, a civil engineer. Procurement and M&E issues will be coordinated by the Procurement and M&E staff in the CPMU. The core group would be supported by the FST as per the current practice.
200. Under the overall guidance of the CPMU, these SPPMUs will perform day-to-day programme management functions including: (i) supporting the CPMU in programming and budgeting; (ii) planning and reporting as well as coordinating between the field sites and MoAF, GDAR, SPD; (iii) managing the daily site management and implementation of the programme activities; (iv) providing administrative support to field-level activities through District Agriculture and Forestry Directorates; (v) taking responsibility for implementation, in collaboration with beneficiary organizations such as districts, business development partners and other service providers, contractors, producer associations, cooperatives and transformation drivers; (vi) monitoring and programme progress; and (vii) documenting lessons and sharing these with CPMU for wider dissemination.
201. The proposed organigram during this period is depicted in Chart 1 below.



202. Once programme implementation is completed in the 6 provinces started in the first phase, the two RPMUs will also be closed down and using the staff thus available the PPMUs overseeing Kahramanmaraş, Kayseri, Çankırı and Karabük will also be converted into the SPPMUs by reallocating one each of civil engineers and M&E assistants who are currently serving at the RPMUs. With this change, all 6 SPPMUs will be reporting directly to the CPMU. The business development specialist and lead M&E specialist will continue serving in the CPMU. In the likely event that programme implementation is completed in Kahramanmaraş and Çankırı earlier than 31 March 2030, the SPPMUs serving these provinces would be wound up and staff reallocated elsewhere by the GDAR soon after the completion of programme activities.
203. The proposed organigram to be adopted following the completion of the programme activities in Phase I provinces is presented below (Chart 2).



## B. Financial Management, Procurement and Governance

204. **Procurement.** Technical support for the ongoing URDP is provided by the Memorandum of Understanding signed between the MoAF and UNDP, established within the framework of the addendum dated September 22, 2021. Under this MoU, and subject to IFAD's approval, UNDP is supported by the Central Programme Management Unit (CPMU), PPMU, and RPMU in areas such as financial planning, management and control, and procurement. This includes the recruitment of human resources such as long and short-term advisors and contracted personnel, as needed/requested by GDAR. The same implementation modality will continue under the current programme phase. A new MoU will be established between the MoAF and UNDP for the Additional Financing phase of URDP to outline UNDP's roles and responsibilities. Procurement under the programme will adhere to the following principles: Conducted within the implementation period specified in the Financing Agreement; Limited to the value of funds allocated and available in the AWPB; Aligned with the approved Procurement Plan (covering the first 18 months of implementation); Aimed at achieving best value for money and "fit-for-purpose" outcomes; Conducted in accordance with the Financing Agreement and any duly agreed amendments.

## C. Planning, M&E, Learning, Knowledge Management and Communication

205. **Planning.** URDP Phase III will continue to use the annual workplan and budget (AWPB) as the main planning tool prepared in a participatory bottom-up approach within the economic clusters and in line with the programme's logical framework. Once priorities have been set at the cluster level and activities defined, the RPMUs will compile the AWPB for each province, consolidate these for their respective

regions and submit them to the CPMU for consolidation and transmission to the Strategic Planning Department at the MoAF for inclusion in the national budget. The draft AWP/B will be sent to IFAD for review and “no objection”. It will guide implementation of activities in the clusters and provide benchmarks against which implementation progress will be measured annually.

206. **Monitoring and evaluation (M&E).** A results-based approach to the M&E system will be continued to measure progress against AWPB targets and periodically assess and report on progression towards achievement of impact. The CPMU M&E specialist will have overall coordination responsibility. The M&E specialist and the assistant currently based in CPMU will continue their duties and one more assistant will be recruited to be allocated to cover the new PPMUs for enhancing efficiency. This team will be primarily responsible for managing the M&E system while other implementation agencies at provincial, district and cluster levels will play important roles in collecting and analysing data to assess the outcomes and impact of programme activities. IFAD COI measurement will guide the periodic surveys at baseline, mid-term and completion to measure programme results and outcomes. The programme will adopt the georeferencing methodology to support implementation and M&E processes. All M&E activities have been adequately budgeted in the programme costs.
207. **Knowledge management.** IFAD and the Government consider URDP as a considerable investment to respond to increasing isolation and depopulation in mountainous rural areas on the one hand and the increasing inequality between rural and urban areas. Considering the substantial learning potential, URDP Phase III will continue to invest in good quality, evidence-based knowledge management which would also contribute to the programme implementation and to the policy development processes. The KM activities will place particular emphasis on lessons-sharing through exchanges with the government counterparts and external stakeholders, knowledge-sharing of the economic cluster approach for poverty reduction in mountainous ecosystems through South-South and Triangular Cooperation, and partnerships with private sectors and research institutions. To this end, various KM products and platforms such as publications, Communities of Practice, instructional and documentary videos, etc. will be produced/established and disseminated through a KM & Communications specialist.

## **VI. Programme Target Group Engagement and Feedback, and Grievance Redress**

### **A. Programme Target Group Engagement and Feedback**

208. In the planning and implementation of project activities, URDP will continue the current practice while also further strengthening a participatory, inclusive, and consultative approach to ensure meaningful engagement of all community members. The areas to strengthen further would include participatory planning for EDC, and focus group discussions with women, men, youth, and other disadvantaged groups such as persons with disabilities. Community engagement will continue to be facilitated by Field Support Teams (FSTs) and Social Inclusion (SI) experts placed at provincial level, who will lead efforts to inform, consult, and involve various social actors. Emphasis will be placed on taking measures that ensure that the voices of the poorest and most vulnerable are heard. In Phase III, social inclusion principles will be embedded throughout the programme processes, with regular community meetings used to share progress updates and gather feedback.
209. Similarly, higher priority will be accorded to ensuring transparency and accessibility to information and to this end the programme will clearly communicate key information from the outset, including targeting criteria, eligibility conditions, and the terms associated with interventions like matching grants, for example. In line with the targeting approach adopted for Phase III, special attention will be given to



the needs of women, youth, and marginalized groups by holding separate consultations and tailoring communication channels (e.g., verbal updates, WhatsApp, suggestion boxes) to their preferences and capacities.

## **B. Grievance redress**

210. A feedback and grievance redress mechanism (GRM) is already in place which uses formal and informal structures and ensures two-way communication between communities and programme stakeholders. The FSTs, with dedicated training under SECAP, are responsible for managing concerns, responding to complaints, and monitoring any unintended impacts, with attention to those affecting gender and social dynamics within the target beneficiaries. These processes will be continued and improved upon as and when necessary.

## **VII. Implementation plans**

### **A. Implementation readiness and start-up plans**

211. Since the proposed scaling-up of URDP to additional 4 provinces will take place within the existing organizational framework, implementation readiness would involve setting-up of additional 4 PPMUs – 1 each for Kayseri and Karabük under the existing RPMUs and 2 independent PPMUs each for Kütahya and Afyonkarahisar within the respective Provincial Department of Agriculture. Priority will be accorded in ensuring early signing of the financing agreement and entry into force of the Phase III so that the Phase III benefits from the maximum implementation period.
212. **Retroactive Financing.** In order to save time taken to kick-start initial activities and ensure timely implementation of the programme immediately following the start-up, the government may opt to benefit from retroactive financing to pre-finance some activities, using its own resources, including the recurrent costs of key PPMU staff for the four additional provinces, cluster identification and other preparatory activities such as feasibility, including environmental and socio-economic studies, baseline study, purchase of MIS and accounting software, and IT and other office equipment. These expenditures, not exceeding US\$ 0.5 million in total, will be reimbursed by IFAD as and when the programme enters into force and the conditions precedent to withdrawal are fulfilled.

### **B. Supervision, Mid-term Review and Completion plans**

213. Continuing with current arrangements, the Phase III of the programme will be directly supervised by IFAD. Implementation support and supervision missions will be jointly conducted as per the existing practice by IFAD and GDAR on an annual basis during the programme implementation period. A supervision cum mid-term review of the implementation performance of URDP in the 2 provinces under Phase II and 4 provinces under Phase III focusing on outputs and outcomes will be undertaken during the second half of 2027 to report on the achievements made against the targets set in the Logframe, including those against the set objectives, and constraints and challenges being faced, and recommend any reorientations that might be required. A completion end-line survey will be undertaken to assess the impact of URDP in the 6 provinces started in the first phase prior to the completion of the implementation of this Phase on 31 March 2027.
214. An end-line survey will be undertaken in the last quarter of 2029 for the 6 provinces inducted in Phases II and III. A programme-wide completion review report will be prepared combining the results of this survey with the prior survey conducted for the 6 provinces. A programme completion PCR mission will be fielded in late 2030 which, *inter alia*, shall: (i) assess, and document overall programme implementation performance and the results achieved; and (ii) inform about the relevance, efficiency, and effectiveness of programme implementation as well as the sustainability of programme benefits beyond programme completion, and the lessons from implementation for future interventions.

**Annex Table 1: URDP Disbursement Trend (as of 1<sup>st</sup> of April 2025)**

Year	IFAD Loan	IFAD Grant	IFAD 2 <sup>nd</sup> Loan	Grand Total	% of Cumulative total
	<b>2000002134</b>	<b>2000002135</b>	<b>2000003668</b>		
<b>Total Approved Financing (A)</b>	<b>35,150,000</b>	<b>900,000</b>	<b>19,094,000</b>	<b>55,144,000</b>	<b>100</b>
Disbursement 2019 (from May)	390,000	-	-	390,000	1.3
Disbursement 2020	1,651,070	200,000	-	1,853,090	6.4
Disbursement 2021	1,712,243	-	-	1,712,243	5.9
Disbursement 2022	3,204,452	-	-	3,204,452	11
Disbursement 2023	8,928,500	-	1,216,400	10,144,900	34.9
Disbursement 2024	8,407,700	-	3,361,500	11,769,200	40.5
Cumulative Disbursement till 31 Dec 2024	24,293,965	200,000	4,577,900	29,073,885	100
Disbursement 2025 (up to March)	1,014,800	5,500	455,400	1,475,700	
<b>Total Gross Disbursement (B) + (C)</b>	<b>25,308,765</b>	<b>205,500</b>	<b>5,033,300</b>	<b>30,547,565</b>	
<b>Advances (not justified yet) (B)</b>	<b>2,844,519</b>	<b>161,364</b>	<b>1,358,812</b>	<b>4,364,695</b>	<b>8%</b>
<b>Total Justified amount (actual expenditures) (C)</b>	<b>22,464,246</b>	<b>44,136</b>	<b>3,674,488</b>	<b>26,182,870</b>	<b>47.5</b>
<b>Balance left (available for disbursement) (A) – (B) – (C)</b>	<b>9,841,234</b>	<b>694,500</b>	<b>14,060,700</b>	<b>24,596,434</b>	<b>44.6</b>