



Enabling poor rural people
to overcome poverty

Turkey

Ardahan-Kars-Artvin Development Project (AKADP)

Supervision Report

Supervision Mission: 20-31 October 2013

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Introduction¹

1. An IFAD mission conducted a supervision mission in Turkey from 30 to 31 October 2013 to assess the technical aspects of project implementation progress, and provide guidance to accelerate implementation and subsequently disbursements. The mission will be complemented by a follow-up supervision mission to be fielded in November, which will review the fiduciary aspects and finalise this preliminary Aide Mémoire. The mission was accompanied by the Project counterparts from the Ministry of Food, Agriculture and Livestock (MFAL), the Project Management Unit (PMU), the Provincial Directorates of MFAL (PDFAL) and UNDP who also joined the field visits to the Project villages in Kars, Ardahan and Artvin. The stakeholders met included farmers, livestock producers, rural inhabitants, heads of various farmer organizations and local administrations.
2. The loan became effective in July 2010. The Project, scheduled for completion on 30 September 2015. By 14 October, 62% of the implementation period had elapsed with a disbursement rate of 20% on the IFAD loan.
3. The AKADP constitutes an investment of USD 26.6 million, of which IFAD loan amounts to approximately USD 19.2 million.
4. The findings and recommendations of this preliminary Aide Memoire were reviewed and endorsed at a wrap up meeting in Ankara on 31 October 2013, which was chaired by Dr. Gürsel Küsek, General Director of GDAR. The final Aide Mémoire will be discussed and endorsed at a wrap-up meeting in connection with the follow-up mission in November.
5. The mission would like to thank to the representatives of MFAL at the central and provincial levels for hosting the Mission and providing it with comprehensive assistance and for the hospitality extended.

A. Overall assessment of Project implementation

6. It is the mission's assessment that Project performance is **moderately unsatisfactory**.
7. Project achievements in terms of improving livestock and horticultural production of smallholders, village infrastructure and institutional strengthening were far behind the appraisal targets. A small part of the 2012 supervision mission recommendations were implemented.
8. Since the Project start, only the construction of 1 barn was completed, 3 under construction, 153 pieces of agricultural machinery and equipment were provided through contributory grants (with 40% contribution by the farmers) and 1.1 tons of seeds were supplied on grant basis. Starting from 2011, 10 information exchange visits that were combined with courses on livestock husbandry were conducted and 269 persons (227 farmers and 42 technical staff)

¹ Mission composition: The mission consisted of Ms. Nedret Durutan, Team Leader and Agriculturalist; Mr. Cunevt Okan, Rural Development Specialist; Mr. Michele Pirazzoli, Rural Infrastructure Specialist; Ms. Tamara Nicodeme, Marketing Specialist and Mr. Mikael Kauttu, Programme Officer. During its fieldwork the Mission was accompanied by a MFAL team led by Mr. Ilker Manyaz, Coordinator, Deniz Şensoy, Consultant, Ms. Ayşegül Gök, Köksal Atılğan and Ms. Nejla Furtana, General Directorate of Agrarian Reform, Department of Rural Development, MFAL. The UNDP team comprised Mr. Arif Öztürk, UNDP Project Administrator; and Mr. Guray Balaban, Infrastructure Specialist.

benefitted. The on-farm demonstration program was limited to 13 (6 for forage crops, 8 for orchards and vineyards on of which was a plastic tunnel for vegetable production).

9. In respect to village infrastructure investment, after a long delay in tendering process a livestock market construction has started about 3.5 months ago and 54 km of village roads were completed. No progress has been achieved in constructing small scale irrigation, sewerage system and basic infrastructure in rangelands. For livestock drinking water, troughs were provided to 15 villages and ground surveys have been completed recently for diversion weirs (i.e. water intake structures), pipe installation and borehole drilling to service 12 villages selected.
10. In terms of institutional strengthening, plans for training of PDA and District Directorate of Agriculture (DDA) staff has not been implemented since the beginning of the Project.
11. An M&E Specialist has not been recruited yet. Therefore, the Project has no system to monitor outcomes and impacts. However, data on Project spending and outputs is satisfactory.

B. Outputs and outcomes

12. **Component 1. Smallholder and Supporting Non-farm Employment.** This component seeks to increase poor smallholders' assets and incomes within the participating provinces and villages, through the delivery of comprehensive and complementary 'hardware' and 'software' packages targeted at improving livestock and horticultural production and to support non-farm employment. Its three sub-components are: (i) Improvement of Livestock Husbandry Practices; (ii) Improvement of Horticultural Production and iii) Support of Non-farm Employment.
13. The overall rating of the component performance is **moderately unsatisfactory**.

Sub-component 1.1. Improvement of Livestock Husbandry Practices

14. **Barn construction.** For "closed" barn types, 21 applications (7 of which from 2012) were received, out of which only one has been completed (Kars) and 2 are still under construction (Artvin). For "semi-open" types, although 5 were planned, construction still pending. The PMU expects the decision for 9 more to be finalized soon (or 42% of what was expected in 2013, and 4.2% of appraisal targets).
15. The Implementation Support Mission (ISM) conducted in July 2013 identified the following bottlenecks affecting the progress regarding barn demand/construction: (i) high cost of construction; (ii) length of construction period that is associated with the concrete/closed type of barns; (iii) uncertainty about the suitability of the alternative barn type (closed vs semi-open) to the local conditions; (iv) ratio of beneficiary contribution (40% of the total cost) being found high and unaffordable particularly in Artvin, (v) limited capacity of local constructors; (vi) the conjuncture of the livestock sector that has changed since the preparation of the Project in 2009, in other words the economic downturn in the sector, with low prices received vs. increasing input costs; and (vii) limited budget for 2013 implementation. The recent discussions held with PDFAL and DDFAL representatives, as well as with beneficiaries, and representatives of farmers' organizations (producers' associations and cooperatives) during the mission confirmed these constraints. The issue of limited local knowledge of modern (open and semi-open) barns among the project beneficiaries highlights the importance of delivering project support as 'comprehensive and complementary hardware and software packages' as envisaged at design: the project implementers – PMU, PDFALs, and DDFALs – should ensure that raising awareness in the project area is complemented with training as a pre-requisite for the 'hardware' investments provided.
16. The 2012 Supervision Mission noted the differences in the processes to obtain barn construction permits between provinces and recommended the streamlining of the process. To this end, although the PMU's civil engineer has met with the Special Provincial Administration (SPA) in the three provinces and discussed the minimum legal requirements and obligations, it was understood that this is beyond the project's control.

17. **Barn rehabilitation.** The 2012 Supervision Mission recommended development of minimum basic standards for barn rehabilitation. This recommendation had been considered by the PMU, but finally discarded (in mutual agreement with other project stakeholders) in light of the difficulties, and possible cost implications associated with rehabilitation instead of *ex-novo* construction, as well as the significant variation in barn structure among provinces. The mission convened a meeting with PMU, PDFAL, DDFAL and MFAL representatives in Artvin (26th October 2013), and it was agreed that the possibility of barn rehabilitation for inclusion in 2014 – based on a sound technical and financial feasibility assessment - would be considered for Artvin province where the traditional barns made of wood appear to be more suitable for rehabilitation than those in Kars and Ardahan that are mostly stone and/or adobe. Furthermore, from the national heritage point of view, rehabilitation would help to conserve the traditional local architecture and the landscape values of rural Artvin.
18. **Investments in small machinery, equipment and material**, the project has achieved the targets set for 2013, almost fully with the co-financing of 153 machineries (49 in Ardahan, 37 in Kars, and 67 in Artvin) including the following: bailing machines, grass mowers, milking machines, sprayers, hand and garden tractors. The impact from adoption of modern (livestock and horticultural) machinery and equipment on farms' productivity remains unknown due to lack of monitoring.
19. The ISM noted that the lack of demand particularly for seed drills indicates a significant gap in farmers' training. The Project purchased two seed drills for Kars and Ardahan PFALs in 2013. These would be used: (i) to demonstrate the benefit of using drills for seeding; and (ii) to use it as basic equipment in setting up demonstrations for other purposes. The discussions with farmers revealed the need for stone clearing from the fields in some Project areas to allow the use of seed drills and other agricultural machinery and equipment e.g grass mower, combine harvester. The PMU by consulting with the Special Provincial Administrations (SPAs) will identify the most appropriate method of stone clearing and make it available to the farmers through contributory grants.
20. **On-farm demonstrations.** For 2013, 17 demonstrations were planned for hay, silage maize and Lenox and 3 have already been harvested. As noted by the 2012 Supervision Mission and the ISM of July 2013, the current mission has also observed the poor quality of some on-farm demonstrations (establishment and management) attracting little interest within the farming community. The PDFALs and DDFALs are unsuccessful in conducting effective demonstrations mainly due to issues regarding the availability of: (i) availability of experienced technical staff; (ii) availability of field equipment; and (iii) easy access to small funds.
21. It is important to: (i) set up demonstrations that reflect technical knowledge and skills; (ii) monitor and document crop growth and the yields; (iii) compare demonstrated treatments (a practice or a crop or a variety) with local practices; (iv) organize "information sharing events at the demonstration site; and (v) help the farmers to make educated decisions about the practices they want to adopt. The mission endorses the ISM's recommendation to outsource the required expertise (a team of 3-Technical Assistance) that is also adopted and pursued by the PMU. The team would: i) identify the topics for demonstrations by consulting with the farmers, PDFAL and DDFAL staff; ii) carry out a simple baseline in the command area of each demonstration regarding the demonstration topic (e.g. *18% of the farmers in village A use recommended N rate for silage maize*); iii) set up the demonstrations in the field or barns; iii) manage the demonstration through the life of the activity; iii) work with the local staff to built the local capacity and iv) monitor and document the impact and behavioural change derived from on-farm demonstrations (*After the demonstration the ratio of farmers who use recommended N rate for silage maize increased to 38%*).
22. **Training of Farmers.** In 2013, the Project has indirectly supported the farmers' organizations (Village Development Cooperatives, Cattle Breeders' Association, Milk Producers' Association) by organizing visits for their members to successful cooperatives such as those in Tire/Izmir, and Aksaray. Farmers also had the chance to benefit from the SÜTAŞ Farmer School in

Aksaray. As a result, participants have shown an interest in reactivating their own associations. As already highlighted above, it is important that training is provided in a more systematic manner, ensuring that software activities are provided before any investments. Another important point (already highlighted by the ISM in July 2013) is the inclusion of priority training on 'farming as a business' in the 2014 programme, where farmers should be supported in the preparation of basic bookkeeping, simple business plans etc.

23. Under Component 2, construction of the **Ardahan Livestock Market (ALM)** is currently being undertaken. This investment, as well as the investment in support of the **milk collection centre (s)** that is highly demanded by a wide range of stakeholders in the Project area require a thorough value chain analysis, inclusive of an assessment of the current capacities, a business plan, a realistic assessment of the potential capacity and marketing channels to ensure the placing of produce in markets, an assessment of the management options for these centres, and opportunities to be capitalized upon to increase the likelihood of these investments' sustainability (including the operations and maintenance), while ensuring that the social and economic intended objectives are pursued. The assessment should, in particular, look into issues of: (i) management; (ii) access to capital (inclusive of operating capital); and (iii) organization of producers. The mission also recommends that the PMU and MFAL consider organizing two **workshops** with small producers, their associations and cooperatives, and the private sector (such as input suppliers, traders, wholesalers, retailers, processors etc.): one workshop could be organized around the Ardahan livestock market, and another one for the milk collection centres planned to be supported by the project during 2014. These workshops should be organized with a view to enhancing the coordination among these various actors, and enhance small producers' access to market in a more systematic manner, especially in cases where marketing represents a bottleneck for project beneficiaries. The private sector companies could also play a role in extending good advice on agricultural practices that reflect market requirements etc.

Sub-component 1.2. Improvement of Horticultural Practices

24. **Investments in plastic tunnels.** Except one demonstration in Kağızman that is about to be completed, no progress has been made in this activity. In fact, the Project by considering the flooding of the agricultural plots in lowlands by the Yusufeli Dam envisages the construction of plastic tunnels for those farmers who would continue production at higher elevations. Although no progress have been made to-date, a meeting with the new governor of Yusufeli revealed that the matter is being pursued collaboratively with the newly seconded director of DDFAL, through village meetings.
25. **Greenhouse investment for seedling production.** The greenhouse (glass) establishment for Artvin that was planned to meet the disease free and cheaper seedling demand of the vegetable producers in Yusufeli, has not been realized since the financial status of Vegetables Producers' Association is deteriorating. Despite the previous mission's recommendations, no alternative investors have been sought, assertively.
26. **On-farm demonstrations.** Seven were set-up (5 in Artvin and 2 in Kars) by private service providers. This represents 2% of the total amount planned for 2013 (as per RIMS data). The mission had the opportunity to visit 4 demonstrations (2 in Kağızman/Kars and 2 in Yusufeli/Artvin) and met with demonstration farmers. Although those in Kağızman were properly set up and managed, the ones in Yusufeli were disappointing. Several opportunities for improvement exist, including: (i) demonstration themes have to be selected based on real local needs; (ii) purpose of demonstration should be clearly spelled out; (iii) demonstration plans need to be made available to the farmers; and (iv) expected benefits to be clearly explained to the beneficiaries.
27. **Investment in orchards** has been constrained in 2013 by the insufficient project funds, despite the fact that there was considerable demand for co-financing support for walnut orchards in the Artvin province (as noted in the 2013 AWPB). The 2012 Supervision Mission had recommended

that the demand and cost-sharing arrangement for orchard investment (including cost ceiling) be determined. To this end, a research was undertaken and cost estimates for each beneficiary were determined; the DDFAL is still working at determining the exact price in close consultation with contractors. The mission recommends more concerted efforts in researching contractors in the area, to increase the pool of potential suppliers, and possibly obtain better value for money in favour of project beneficiaries.

28. **Farmer training.** no progress has been made, despite the fact that interest in learning and adopting innovations has been expressed on several occasions by horticultural producers.
29. The mission reviewed a sample of **grant applications** (inclusive of those approved by the PMU, but not necessarily finally pursued by the farmer), including those for equipment and machinery, as well as the ones for barns. The pre-application requires a series of documents to be provided by the farmer, and this is given a scoring according to certain pre-established criteria and weights (applications receiving a score below 60 out of 100 are rejected). The pre-applications' data feed into an excel database that captures the beneficiaries' storyline: from application, to final purchase of equipment/machinery or barns/orchard/greenhouse depending on the type of investment demanded. (More information concerning the grants application, specifically on targeting, is provided in Section D below).

Sub-component 1.3. Supporting Non-Farm Employment

30. Several factors have contributed to the rising demand for skills in the labour market including technological and organizational change, need for productivity increases, developments in trade etc. Therefore, the main economic sectors in the Project area would be reviewed in terms of employment shortages and gaps for skilled labour. In the light of the outcome of such assessment, TA and training programs would be designed/conducted. Training of workers in the agro-processing enterprises for Food Safety could be the starting point.
31. In collaboration with the GDAR project staff and the PMU, it was agreed that opportunities for micro and small enterprise development be examined through a series of topical studies (by TA) including those for the processing of some of the raw materials available in the project area. Those topics found to have potential will be further supported through feasibility studies.

Agreed Action	Responsibility	Agreed date
Start farmer training program with 'farming as a business' as part of the 2014 training programme (and 2014 AWP&B).	PMU, PDFAL, DDFAL	As soon as possible
Conduct technical and financial feasibility for barn rehabilitation model for Artvin province	PMU	Dec 2013
Outsource the expertise (TA) to establish a small team for conducting on-farm demonstration program	PMU	Jan 2014
Conduct a thorough assessment (through TA) for the (i) Ardahan Livestock Market; and (ii) milk collection centres mainly for management; (ii) access to capital (inclusive of operating capital); and (iii) organization of producers.	PMU	Feb 2014
Organize two workshops with small producers, their organizations, and the private sector (input and output markets) involved in the: (i) livestock sector (who could likely benefit from/participate in the Ardahan livestock market); and (ii) milk collection centres.	PMU/MFAL	Mar 2014
Examine opportunities for micro and small enterprise development (TA)	PMU/MFAL	Mar 2014
Conduct training programs to support off-farm employment	PMU/MFAL	Mar 2014

Component 2 – Village Infrastructure

32. **Overview.** Expenditures foreseen under Component 2 for 2013 are USD 2.1 million, intended for the construction of the ALM and for the procurement of designs of village infrastructure to be implemented from 2014 onwards. The Component financial performance by end 2013 is estimated to some 45% of planned, mainly due to the delayed start of the works at the ALM. The successful implementation of this investment poses yet unrecognized challenges relating both to the completion of physical works and to its operational sustainability. MFAL and the PMU are noticeably taking action to overcome these challenges as referred to in this Aide Memoire. The technical designs of other village infrastructure facilities developed during the review period are relevant to the project objectives but are limited in scope, covering 8 villages; their estimated value is 17% of the projected balance under the civil works loan category. The higher than anticipated cost of the ALM and the short time available to carry out both design and construction of additional village infrastructure investments reduce the likelihood of the Component meeting its global targets within the current project implementation timeframe. The agreed actions to mitigate this risk are detailed in this Aide-Memoire.
33. The mission rates the implementation of the Component **moderately unsatisfactory**.
34. **Ardahan Livestock Market (ALM).** A 10 months delay was accumulated over the ambitious time schedule for the construction of the ALM agreed during the 2012 supervision mission. This was mainly due to: (i) delays in finalization of the designs; (ii) need to re-tender due to revision of prequalification thresholds; and (iii) protracted procurement processes. The contract price of USD 2.8 million exceeds the budgeted amount in the 2013 AWPB by 40%, the official cost estimate by 12% as per General Directorate of Public Works² unit prices. The current cost also exceeds the appraisal estimate by about 400%. This unexpectedly high investment cost is primarily due to: (i) the need of major terracing works (including excavation, filling and retaining walls) to fit the required structures as designed to the site allocated by the Ardahan Municipality; and (ii) the high technical standards applied to ensure durability of the structure in extreme winter temperatures.
35. The mission visited the site and noted progress in the execution of the major earthworks, foundations and retaining walls of 3 paddocks. The target of completing the works by end June 2014 is technically feasible. The quality of the concrete works carried out to date is in line with the specifications and both the contractor and the supervising engineer are proactive in problem solving at site. However, the mission was notified that major inconsistencies between the drawings and the quantities of concrete, steel and formwork in the contract were evidenced during construction. In particular, the concrete volumes and the corresponding reinforcement for the retaining walls and column foundations in the contract do not reflect the actual quantities. No request for amendment had been submitted to the MFAL to date, whereas part of these works consists of structures that are now buried. As the works are carried out under a contract based on unit prices, an ex-post acceptance of the amendment would have substantial implications in the final investment cost. A reassessment carried out by the designers (which includes also a proposal for additional works) valued the total cost increase to some 28% of the original contract price. The mission was informed that GDAR is evaluating the contractor and designer's liabilities and the legal implications of such an increase, according to the applicable Turkish law. GDAR will also review the above issues with UNDP including the option of suspending further payments until a resolution is reached with the contractor,
36. A team of MFAL experts³ joined the mission at the site. Their significant contributions to the review of progress and issues at the ALM were most appreciated by the mission, also as indication of improving ownership. Possible technical options to overcome the challenges in the completion of the works within the original budget envelope were discussed with the mission.. Comparatively lower cost options have been identified for the additional work items

² Under the Environment and Urbanization, previously the Ministry of Public Works.

³ The MFAL team consisted of Msr. Sevcan Cansu Kudu (architect) and Erbay Göçmen (Civil Engineer).

proposed by the designers, namely: (i) a combination of fencing, slope dressing and roadside ditches to prevent uncontrolled access in place of a surrounding concrete wall; and (ii) a single layer of C20 concrete for the paddock pavements. Other possible modifications include: (i) a single gate with disinfection tunnel and guard booth; (ii) use of an existing building for administrative purposes; (iii) removal of the open paddock areas "18" and "34"; (iv) redesign of access ramps to paddocks at the highest level; (v) removal of steel superstructure on paddock "45". An additional option to be further investigated is to carry out the asphalt paving works through the services of the SPA.

37. Preliminary calculations show that the implementation of these above changes at the unit rates of the contract would offset the projected cost increase without compromising the functionality and the compliance of the facility with MFAL's licensing requirement. If required by MFAL, a detailed assessment of the quantities and of the cost savings associated with these changes would be requested to be carried out by the designers at no cost for the project as part of their liability. The PMU and UNDP would take necessary steps to ensure that this reassessment be carried out as a matter of priority.
38. Based on the detailed design plan, the facility would have the capacity of 1 080 sheep and 2 250 cattle. However, the latter figure is expected to be reduced to 2 030 due to the proposed removal of 2 open paddocks. The anticipated benefits include reduced transaction to farmer costs, reduced occurrence of outbreaks and incremental sales for most of the 15,000 registered farmers across the 5 Districts of Ardahan, which are mainly livestock keepers. The relevant baseline data (including the number of animals traded at the existing market) and the set of assumptions used for the projections of benefits were compiled and assessed by the PMU. The completion of the ALM within the original contract price would not undermine the main outcomes of the financial analysis carried out in the assessment where the IRR appears to still be an acceptable 14%.
39. The mission emphasises the need to take action to ensure the operational sustainability of the ALM upon completion of the construction. When the facility is completed it will be licensed in line with the current legislation and the PDA will second a full time veterinarian to the ALM.
40. The arrangements for the management of the ALM have not yet been developed by the Ardahan Municipality. Through the Project, TA shall be provided to the Municipality in support of developing a detailed operational plan, including budget, of the facility. The ToR for the TA shall be geared to develop a business model to eventually attract the private sector into a concession or partnership agreement with the Municipality in operating the ALM. A long term strategy including potential physical upgrades and alternatives developed may include integration with a slaughterhouse and/or biogas production using animal waste to make ALM energy self-sufficient.

Agreed action	Responsibility	Agreed date
Legal issues on contractor's and designer's liabilities for quantity and cost increase assessed	MFAL	15 November 2013
If required by MFAL, review of design and quantities in line with recommendations	Designers	15 November 2013
Procurement of TA for the management of the ALM	PMU, UNDP	from April 2014
Finalization of construction at the ALM	Contractor	20 June 2014

41. **Village infrastructure.** The preparatory work for investments in village public social and economic infrastructure to be financed and implemented from 2014 onwards was carried out by the PMU in 12 project villages in Kars and Ardahan. The identified need and demand coming from the beneficiaries was for the support for livestock watering facilities. The geophysical investigations commissioned by the project, however, revealed the lack of suitable aquifers at the proposed drilling sites in 4 villages, thus only 8 investment proposals are technically feasible. In these villages the Field Engineer has completed the technical assessment by collecting GPS readings, relevant type drawings and cost estimates.

42. The mission field visits at two sites proposed for the construction of pasture livestock watering facilities revealed the appropriateness of the selected technical options as well as the high demand and benefits arising from these relatively low cost (less than USD 100 000 in average) investments in small scale infrastructure. The review of available documentation revealed that at least 2 of the 8 sites in the implementation pipeline require a topographic survey along the proposed pipeline alignment. Based on benefitting number of animals and expected benefits (reduced milk and meat loss), a basic IRR calculation would be carried out in line with the PDR requirement prior to implementation. The extent of beneficiary contribution in each project would be also evaluated by the PMU.
43. The 8 investments in livestock watering facilities are valued at an aggregate USD 763 000 and are estimated to benefit some 1 325 HH in the 8 villages above, i.e. would positively contribute to increasing the project outreach. However, the highly scattered location of such investments and the budgetary cuts from the Treasury for 2014 suggest to postpone the implementation to 2015, when construction works may be combined with similar works in neighbouring villages, thus facilitating implementation and increasing the attractiveness of the bid package. The watering facilities may also be complemented, if required, by sheds or dips. The mission emphasizes that the identification and design of the additional livestock watering facilities based on spring tapping or borehole development would be one of the key activities for 2014. Failure to meet the target of constituting a sizeable package of such investments before end 2014 would severely undermine the overall performance of the Component.
44. The mission, in principle, agrees with the PMU proposal to investigate possibilities for implementation of these works under a protocol with the SPA, which has a comparative advantage in its capacity of mobilizing local small-scale contractors and of supervising the works in scattered locations with own staff. Under such protocol the SPA would apply the national procurement regulations for tendering (KIK), a modality that is considerably faster than the one currently in place with UNDP. Compliance of these approaches with the terms of the financing agreement would be further assessed by a forthcoming IFAD supervision team carrying out a review of the fiduciary and procurement aspects of the AKADP.
45. No progress is recorded in the selection of additional eligible investments in sewers, livestock watering ponds or small-scale irrigation since the July 2012 IFAD implementation support mission. This is seen as a bottleneck in the implementation of the Component as failure to meet the target of procuring and completing design works by end 2014 would inevitably result in missing the 2015 construction season. The mission was informed that 2-3 small-scale irrigation schemes in the project villages provide promising investment opportunities, as they would directly support livestock feed production and horticulture activities of AKADP. The technical and financial feasibility of these investments needs, however, yet to be assessed. A simple checklist to facilitate data collection on site is provided by the Mission as an annex this AM (Working Paper 2). The mission and MFAL agreed that MFAL experts in small-scale irrigation would provide technical support to the PMU to finalize the feasibility and design assessment.
46. All project parties agreed that the Ardanuc DDFAL would prepare a feasibility study to assess the required capacity and the modality of operation of the proposed livestock marketing facilities within the district. Such investment is foreseen in the Project Design Document (PDR) and it has the potential to develop synergies with a recently Government supported slaughterhouse established in Ardanuc. The PMU would review the study and, if required, the MFAL expert would be mobilized to support the assessment of the proposed site as well as the detailed design process.
47. **Cattle troughs.** Since the last supervision the project has delivered 15 galvanized steel troughs (each consisting of a set of 4 units) across the project villages as planned. The population benefitting by this first lot of troughs is estimated to be 1,000 households across 15 villages. The demand for additional trough sets is reportedly high, but lacking supporting evidence on their use and benefits of the troughs delivered to date, the mission concurs to make the continuation of this activity subject to evaluation of performance during 2014. The mission

would like to underline that such lack of supporting evidence is further indication of the yet immature M&E system.

48. **Roads to Pastures.** The entire road grading works planned at the time of the June 2012 supervision mission have been completed. These consist of a total of 54 km across 7 villages with an estimated beneficiary population of 895 households. These works have been carried out by the SPA with own equipment under a protocol with the MFAL and PDFALs. Financing is provided by the Government budget. Additional road grading works valued at approximately USD 500 000 across 25 villages have been short listed for possible future implementation, subject to clearance of financing from the Government budget. The mission notes that in terms of road lengths rehabilitated, the completed works represent already 108% of the target to project end. Follow up on the use, benefits and durability of these investments needs to be carried out as part of the overall M&E activities to inform decision-making.
49. **Way forward.** The identification of the next batch of targeted villages (planned for 2014) should be anticipated. This would provide the scope for the identification of additional investments in project villages, enabling final selection based on cost efficiency and clustering for construction. Given the short timeframe to carry out field activities (including surveying and construction) in the project area, the infrastructure activities need to be planned well in advance. It is the mission assessment that under the current implementation timeframe the cumulative disbursement under the Component is not likely to exceed 75% of the appraisal target.

Agreed action	Responsibility	Agreed date
Identify third lot of project villages	PMU, PDFALs	31 December 2013
Identify 2-3 additional infrastructure projects to be designed in 2014	PMU, MFAL	31 December 2013
Feasibility study for the Ardanuc livestock market	PMU, DDFAL	31 December 2013
Procurement of designs or 2-3 additional infrastructure projects	PMU, UNDP	30 April 2014
Complete investigations for a package of designs of livestock watering facilities in Kars and Ardahan	FE, PMU	31 August 2014
Complete assessment of investments in economic infrastructure with IRR and beneficiary contribution calculations	PMU	31 August 2014
Assessment of implementation arrangement for small scale and scattered works through the SPA	IFAD, MFAL	30 November 2013
M&E assessment of completed projects in road rehabilitation and troughs	PMU M&E	30 June 2014
Procurement plan and protocols for 2014 construction season	PMU, MFAL	30 September 2014

C. Project Implementation Progress

50. **Project Management:** Project management is moderately satisfactory in view of adverse circumstances institutional implementation environment. Under the overall guidance and supervision of the General Directorate of Agrarian Reform, Department of Rural Development at MFAL, the principal functions of the PMU are to carry out the overall programming and budgeting of Project activities, take the lead in Project implementation in cooperation with the PDAs/DDAs and monitor and document Project progress. Currently, the PMU comprises the Regional Administrator with an overall coordination responsibility, a Field Engineer, an Agricultural Economist and two Procurement Officers (one in Kars, one in Artvin).
51. Under the terms of the Service Agreement, UNDP functions as an implementation partner inter alia in the domain of financial management and procurement, with a UNDP Project Administrator based in Ankara as focal point.
52. With support from the PMU, the PDAs/DDAs are responsible for the management of smallholder investments under Component 1. In total, 29 PDA and DDA staff are involved in the management of the Project. Four technical staff have been seconded to the Project full time (three in Kars and one in Ardahan).
53. The Project has suffered from heavy turnover of PDA/DDA staff; of current 29 staff 13 are new replacements from 2013. This has undermined the strengthening of the implementation capacity at PDA/DDA level, which is reflected in the moderately unsatisfactory implementation.

To mitigate this, the PMU should routinely summon all PDA and DDA staff – new arrivals as well as current staff – for a briefing on the Project. This briefing should comprise an overview of the development objectives and targeting aspects as well as relevant design and implementation documentation. The PMU should develop brief and practically oriented reference manuals/checklists for each type of activity for distribution to PDAs/DDAs. The Project should further compile detailed 'user's manuals' for co-financed investments (e.g. greenhouses, barns and orchards) to provide information on best husbandry practices, inputs, expected yields etc. for distribution to beneficiaries, as described further down under Section 69. These two measures would provide the PDA/DDA staff with a toolset whose permanent nature would mitigate the leak of practical now-how in connection with staff rotation.

54. **AWPB and Progress Report.** AWPB's and Progress Reports are rated satisfactory and provide a comprehensive, detailed and succinct overview of activities. The AWPB for 2013 was received by IFAD end December, and was subsequently updated in October 2013. Together with the Regional Administrator the mission reviewed and updated the spending estimates for 2013. According to such updated estimates expenditure to be incurred by the end of the year from all financing sources is USD 3.6 million (or 68%) out of USD 5.3 million planned; and USD 2.5 million out of 3.7 million (68%) for the IFAD loan as outlined in Table 1.

Table 1: Planned AWPB 2013 vs Estimated Actual Expenditure

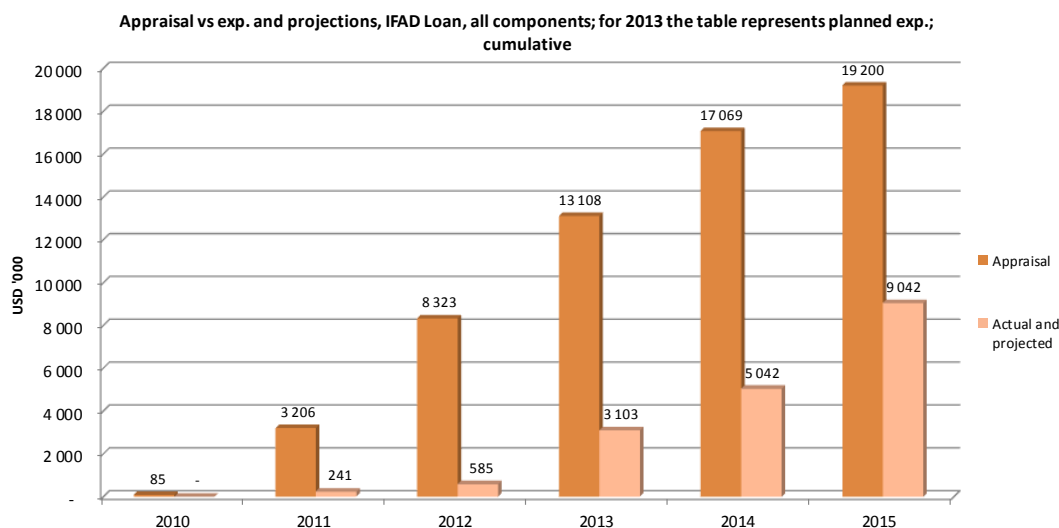
Component	Total			IFAD Loan			Gov. budget			Gov. tax			Clients		
	AWPB	Actual	%	AWPB	Actual	%	AWPB	Actual	%	AWPB	Actual	%	AWPB	Actual	%
1 Smallholder and Non Farm Investments	2,236	1,926	86%	1,076	1,092	101%	288	123	43%	8	15	176%	864	697	81%
1.1 Improving Livestock and Husbandry Practices	2,172	1,367	63%	1,076	773	72%	231	76	33%	2	3	144%	864	515	60%
1.2 Improving Horticultural Practices	64	559	877%	0	318	0%	57	47	82%	7	12	186%	0	182	0%
2 Village Infrastructure	2,478	1,089	44%	2,100	929	44%	0	0	0%	378	160	42%	0	0	0%
3 Institutional Strengthening and Project Management	634	602	95%	535	498	93%	60	77	129%	39	27	68%	0	0	0%
3.1 Awareness Raising on Employment	12	25	210%	0	25	0%	12	0	0%	0	0	0%	0	0	0%
3.2 Project Management	622	577	93%	535	473	88%	48	77	161%	39	27	68%	0	0	0%
Total	5,348	3,617	68%	3,711	2,518	68%	348	200	58%	426	202	47%	864	697	81%

55. The Progress Report 2012 and the semi-annual Progress Report 2013 were received by IFAD timely. AWPB's and Progress Reports are generated with the Planner, an Excel based software for IFAD reporting that organises and produces reports on quantitative Project data on the aspects of budget, expenditure, procurement, timing of activities, Project outputs and RIMS. For purposes of the mission, the Project produced with the Planner detailed tables outlining progress spending and outputs vs. AWPB by 30 September 2013.
56. **Planning until Project end.** The AWPB for 2014 abides under a tight spending regime on the IFAD loan, with expenditure for the time period between 30 September 2013 – 31 December 2014 capped to approximately USD 3.4 million.⁴ The reason is a prevailing Government policy to restrict the use of external financial sources as a measure to remedy Turkey's current account deficit.
57. The projected incremental expenditure to be incurred by the Project from the IFAD loan by the end of 2013 is approximately USD 1.3 million. Accordingly, the available budget for 2014 is only approximately USD 2.1 million.

⁴ This available amount consist of USD 1,645 million available on the Project's designated account and Project Accounts on 11 October; USD 84,000 on the designated account, USD 944 thousand projected for withdrawal from IFAD by the end of the year; and an additional USD 750,000 allocation for the year 2014.

58. With this budget, the Project is estimated to be some USD 11.8 million (or 31%) short of the cumulative spending foreseen during detailed design to have been incurred by end 2014 from the IFAD loan. Assuming the Project spends USD 4.0 million in the last year 2015, this leaves a balance on the IFAD loan in the amount of approximately USD 10.0 million, as can be seen from Table 2.⁵ Among strategies that GDAR can develop, the option of cancelling some the project funds should also be considered.

Table 2: Cumulative Appraisal Cost vs. Projected Spending – IFAD Loan



59. To offset the shortfall in spending, MFAL has committed to explore the option to increase the government contribution in order to reach the Project's development objectives. The mission welcomes this initiative. The mission estimates that a government contribution towards the cost of the Ardahan livestock market in the amount of approximately USD 1.3 million would free funds from the IFAD loan in an amount of approximately USD 460 000 for Component 1 that could be used for trainings and demonstrations, as outlined in Table 3.

Table 3: Appraisal Cost vs. Projected Spending by Component – IFAD Loan

Annual USD'000															
Description	2010			2011			2012			2013			2014		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Plan	%	Appraisal	Plan	%
1 Smallholder and Non Farm Enterprise Investments	-	-		1 376.1	50.5	4%	2 045.9	50.8	2%	2 217.6	1 091.6	49%	1 453.0	467.5	32%
1.1 Improving Livestock and Husbandry Practices	-	-		948.3	50.5	5%	1 617.8	41.8	3%	1 646.4	773.4	47%	1 024.1	314.5	31%
1.2 Horticulture	-	-		427.8	-	0%	428.2	9.0	2%	571.2	318.2	56%	428.9	153.0	36%
2 Village Infrastructure	-	-		781.3	-	0%	2 292.2	83.4	4%	1 953.2	928.8	48%	1 953.2	900.0	46%
2.1 Village Infrastructure	-	-		781.3	-	0%	1 953.2	83.4	4%	1 953.2	48.8	2%	1 953.2	30.0	2%
2.2 Livestock market facilities	-	-		-	-		339.0	-	0%	-	880.0		-	870.0	
3 Institutional Strengthening and Project Management	85.4	-	0%	963.5	190.9	20%	778.4	209.6	27%	614.4	497.6	81%	555.1	571.0	103%
3.1 Institutional Strengthening	6.5	-	0%	162.4	-	0%	19.3	-	0%	138.1	25.0	18%	77.1	-	0%
3.2 Project Management	78.9	-	0%	801.0	190.9	24%	759.1	209.6	28%	476.3	472.6	99%	478.0	571.0	119%
TOTAL	85.4	-	0%	3 120.8	241.4	8%	5 116.5	343.8	7%	4 785.2	2 517.9	53%	3 961.3	1 938.5	49%

60. It was further agreed that MFAL will evaluate the situation in mid-2014 in light of incurred expenditure from the IFAD loan, and propose a strategy and detailed actions to achieve a higher disbursement by the end of the Project.

Agreed action	Responsibility	Agreed date
Propose a detailed plan for increased disbursement in the light of implementation progress in the first half of 2014.	MFAL	30 June 2014

⁵ NB these are approximate estimates, given that the appraisal target USD 19.2 million on the IFAD loan is expressed in USD while the loan is allocated in SDR whose USD value is subject to fluctuation in exchange rates.

61. **Monitoring and evaluation.** Monitoring and evaluation is **moderately unsatisfactory**. Data on Project spending and outputs is satisfactory, but the Project has no system to monitor outcomes and impacts.
62. The Project has not recruited an M&E Officer. Rather, the PMU Regional Administrator has absorbed the responsibility for the monitoring of Project outputs besides his other duties. To this end, the PMU has established an Excel based database. The mission reviewed the database and provided recommendations for its improvement, including a sample database. The data of the database feeds into the Planner, which is updated periodically under the overall guidance of the Regional Administrator by the PMU's Procurement Officer based in Artvin and the UNDP Administrator. Consequently, reports on the Project's spending, outputs, timing of procurement etc. are easily accessible, comprehensive and precise.
63. The Project design foresees that an impact evaluation be carried out by an external service provider. Procurement of this service has not been undertaken. In the meantime, the Project has no system for collection of data on project outcomes. Consequently, management does not have access to information on the quality and impact of Project activities on a systematic basis.
64. The mission recommends that the Project recruit university students from the local universities to conduct periodical field surveys with Project beneficiaries and PDFAL and DDFAL staff (to be conducted in May, September and January, 2014). Surveys would be based on questionnaires, standardised for each type of Project activity. The objective of the surveys would be to: (i) provide management with information on quality and usefulness of Project activities for planning and taking corrective action to remedy emerging issues; (ii) collect qualitative data on Project activities to identify success stories and models for replication; and (iii) collect quantitative data on the incomes and assets of the beneficiaries, thus providing the Project with a dataset for quantitative impact evaluation. The quantitative data would, through extrapolation from relevant beneficiary strata, allow evaluation of impact on at least the following levels: (i) incremental increase in farmer income and assets measured by IRR and NPV; (ii) employment creation; (iii) incremental increase in regional economic activity; and (iv) incremental increase in tax revenue to the government.
65. The Project would hire an Evaluation Expert to manage the surveys, whose TORs would comprise development of questionnaires under the guidance of the Regional Administrator; training of the surveyors; propose the mechanisms and procedures for information flow for maintaining and updating the database; managing the inputting of the data in a databank; analysing the data; and providing concise reports on quantitative project impact.⁶ The TORs of the Evaluation Expert would include clear, measurable outputs with deadlines. Full delivery on such outputs would be a condition for continuation of the contract.
66. A database on the Project's Outputs and Impacts (DOI) would be developed to store and organise the data collected during the field surveys. The existing database on Project spending and outputs would be integrated with the DOI.
67. The DOI would be based on Microsoft Access, and full access to all data stored therein would be available to the PMU and MFAL at all times. Eventually, a front-end application could be developed to grant access to Project data also to other Project stakeholders such as PDFAL's, DDFAL's and IFAD. The Regional Administrator would develop the architecture and initiate the establishment of the DOI. The Evaluation Expert, upon recruitment, would assume the responsibility to create and finalise the DOI under the guidance of the Regional Administrator.
68. **Knowledge management.** Knowledge management is **moderately unsatisfactory**, and is limited to the Project's periodical reporting to IFAD. The limited breadth of knowledge management activities is partially due to the limited implementation progress, effectively limiting the use of more extensive activities.

⁶ See TORs in WP II.

69. Nevertheless, a number of basic knowledge activities should be initiated immediately. The Project's webpage should be established to provide information to beneficiaries and other stakeholders about the Project's benefits and modalities for participation.
70. The Project should document results on farmer training and farmer demonstrations in terms of change in behaviour and investment patterns. The Project should further prepare learning materials on the various types of support extended by the Project. This should comprise detailed 'user's manuals' for co-financed investments (e.g. greenhouses, barns and orchards) to provide information on best husbandry practices, inputs, expected yields etc. These materials should be supported by film material that document the establishment of Project demonstrations and co-financed investments, and that are uploaded to the Project's website.

Agreed action	Responsibility	Agreed date
Summon all PDA and DDA staff on a routine basis for a briefing on the Project.	PMU	Continuous
Develop brief and practically oriented reference manuals/checklists for each type of activity for distribution to PDAs/DDAs.	PMU	End of December, 2013
Compile detailed 'user's manuals' for co-financed investments for distribution to beneficiaries.	PMU Agricultural Economist/MFAL	End of February 2014
Fine-tune the existing Excel based database.	PMU	End November 2013
Recruit Evaluation Expert to manage outcome and impact surveys as well as organise and analyse impact and outcome data.	MFAL/PMU/UNDP	End December 2013
Recruit university students to conduct surveys with beneficiaries on Project activities.	PMU/UNFP	End February 2014
Maintain and update core planning and progress data in the Planner, and use the Planner to generate tables for the AWPB and biannual Progress Reports.	MFAL/PMU/UNDP	Continuous
Develop a Microsoft Access based database to store all Project data on inputs, outputs, outcomes and impacts.	PMU/Evaluation Expert/Regional Administrator	End April 2014
Establish Project webpage to provide information to beneficiaries and other stakeholders about the Project's benefits and modalities for participation.	PMU	End February 2014
Document results on farmer training and farmer demonstrations in terms of change in behaviour and investment patterns.	PMU/Evaluation Expert	Continuous
Create film material that document the establishment of Project demonstrations and co-financed investments and upload to the Project's website.	PMU	End June 2014

D. Fiduciary Aspects

71. **Financial management.** As per the Section E, Paragraph 1 (a) of the Financing Agreement, the project funds (IFAD loan, Government contributions and UNDP grant) are administrated by UNDP, on the basis of a Service Agreement signed between the MFAL and UNDP. The Service Agreement was signed on 10 January 2011, but had retroactive effect from the entry into force of the project (July 2010). UNDP, for the provision of its services, charges an Implementation Support Service (ISS) fee of USD 100 000 per year and a General Management Service (GMS) fee, representing 3% of the total amount of Project related payments, from the IFAD, Government and UNDP funds, including the GMS. The ISS is paid at the end of each year, while the GMS on quarterly bases and reconciled at the end of the year. The novelty of this agreement is related to the flow of funds of the UNDP grant, which flows directly in the USD Project Account, and not anymore through the Treasury account.
72. UNDP, as project administrator, applies its rules and regulation in the management of the project funds, and the Atlas Accounting Software is the system currently used by the organisation. The UNDP corporate system does not have features to distinguish the expenditures by category and component, but only by activity and source of financing. In order to trace the uses of funds in line with project's component and category, the UNDP Project

- Administrator, MFAL staff and PMU staff at regional level are concomitantly using the Planer recording system. Also, the Project Administrator shares with PMU and MFAL partners, at the end of each month, the financial statements comprises the expenditures undertaken during the relevant month. With the same frequency, they are also reconciling the data available in the Planer.
73. At PMU level, there is no management of funds responsibility, as the regional unit does not operate a bank account or cash through a petty cash system. This has proved to be a challenge during the implementation, whereas even a small payment (ex. 1 litter of oil) has to go through the official channels – all payment requests, for recurrent or implementation related activities costs, are submitted for approval to MFAL, and subsequently processed by UNDP.
 74. The fiduciary team is composed of: (i) at PMU level - two Procurement and Finance Assistance, one located in Kars and one in Artvin; (ii) at UNDP level – the Project Administrator and a Procurement Administrator, partially assisting the project; (iii) at MFAL level –staff partly in charge of project.
 75. The Designated Account (DA), denominated in USD, is held at the Central Bank of Turkey. The account is operated by MFAL, through its designated signatories – jointly by the Head of Department of Rural Affairs and the Director General and Deputy Director General of the Directorate of Agrarian Reform. The closing balance, as of 31 October 2013, is USD 83 974.52. With regards to the Project Account (PA), UNDP is authorised by the Borrower to use its official corporate accounts - in USD for loan and UNDP grant proceeds, and in local currency (TL), for Government Contributions. The UNDP USD Account is held in the Bank of America, New York, and the closing balance of the IFAD funds is USD 1 584 052.16. As for the account in local currency, it is held in the Garanti Bank, Turkey. UNDP maintains distinct books in the Atlas software to distinguish the projects managed and the different sources of financing, though a system of codes and account identifiers, as follows: 77193 – project id; 30051 – IFAD loan funds; 30071 – Government contribution funds; 11999 – UNDP grant funds.
 76. UNDP's levels of responsibility in operating the PA (approving a Purchase Order) are assigned by thresholds, as follows: Programme Specialist and Coordinator (PO less than USD 2 500), Programme Manager (PO between USD 2 500 and USD 5 000), Operations Manager (PO between USD 5 000 and USD 30 000) and Resident Representative and Deputy (PO more than USD 30 000).
 77. The exercise of reconciliation undertaken by the mission showed a difference of USD 175 827.48 in the DA. The Project Administrator clarified that the difference is related to expenditures undertaken and not yet claimed for replenishment to IFAD. These are: GMS fee and purchase of vehicles, done through the State Supply Office, whereas the supporting documentation was not yet received by UNDP at the time of the reconciliation.
 78. The performance of the financial management is considered **satisfactory**.
 79. **Disbursement.** At the time of the mission, 5 WAs have been disbursed, three under the initial deposit and 2 under replenishment, for a total of USD 3.6 million (equiv. SDR 2.4 million). This represents 19.97% of the loan allocation and is considered to be an **unsatisfactory** disbursement. The disbursement factor is 0.31, way below the optimal factor of 1. An WA under replenishment method, for a total of USD 654 245.84, will be sent to IFAD and this will increase the disbursement rate with approx. 4%.
 80. Since the previous supervision mission, which took place in June 2012, three WAs have been submitted to IFAD, for a total of USD 2.18 million (equiv. SDR 1.44 million). From this disbursed amount, USD 1 million represents the last tranche of the initial deposit and USD 1.18 million is the sum of actual implementation activities related expenditures.
 81. As for the achievement of the activities planned in the 2013 AWPB, the performance of the IFAD funds reached only 48% (USD 3.7 million planned against USD 1.7 million achieved). The

- low coherence between planning and implementation is mainly due to the delays in the procurement process of the Ardahan Livestock Market.
82. With the approval of the construction of the Ardahan Livestock Market, it is envisaged that USD 2 million will be spent in 2014. However, the project disbursement rate would not exceed 35%. Moreover, the Government, through the Ministry of Development, determines for each year the budget limit for the external funded projects. In this case, the 2014 provided allocation is USD 0.7 million, plus a carry forward from 2012/2013 of USD 1.3 million. Therefore, in the following year the project would not be able to spend more than USD 2 million from the IFAD loan funds.
 83. The mission reviewed the supporting documentation related to the expenditures claimed under the statement of expenditures modality. While all the documentation is adequate and available, the filing system would require some improvements.
 84. **Counterpart funds.** The domestic co-financiers of the projects are: (i) Government of Turkey (GoT), providing in cash financing for project activities, and in kind financing to cover the tax exemption and MFAL and PDFAL staff; (ii) UNDP, providing a grant of USD 0.25 million for technical assistance, training and workshops; and (iii) project beneficiaries of the grant programme.
 85. The Government of Turkey contributes towards the project in cash and in kind. The GoT is financing in cash projects activities and some recurrent costs, for a total of USD 0.08 million, representing 24% of the AWPB target and 8% of the appraisal target. As for the in kind contribution, it is represented by the tax exemption and the cost of the MFAL and regional staff dealing with the project. The exemption exception is the petrol; however the tax percentage is covered from the in cash contribution. The MFAL and PMU staff keeps track of the latter contribution using the Planer. The performance is follows: 26% of the AWPB target and 5% of the appraisal target. No delays have been faced in the provision of the contribution.
 86. The UNDP grant finances technical assistance, training, workshops and conference services. Each year, UNDP allocates USD 50 000 for the above mentioned activities. Up to date, 53% of the amount had been used (USD 0.13 million).
 87. The project beneficiaries, individuals and entities, are co-financing 40% of the contributory grant programme. The total, in cash, is USD 0.46 million representing 54% of the AWPB target and 12% of the appraisal target.
 88. The provision of counterpart funds is considered **satisfactory**.
 89. **Compliance with financing covenants.** The compliance with the financing covenants is satisfactory. The details with regards to the status of implementation and compliance with Financing Agreement covenants can be found in Appendix 6.
 90. **Procurement.** The project procurement is carried out at 3 levels, as follows: (i) procurement with the community participation, undertaken under the umbrella of the contributory grant programme; (ii) procurement at the PMU level, carried out for small civil works and design (e.g. barns), for goods (e.g. seedlings, seeds) and farmer trainings. The UNDP bidding documents are used in the process; and (iii) procurement at UNDP level, carried out for complex works and services. UNDP has also long term agreements used for accommodation, transportation and conference services.
 91. In the case of the procurement of vehicles, the process is carried out by the "State Supply Office", a governmental agency in charge of purchasing the governmental cars. This is a novelty in the legislation, as the project vehicles used to be purchased in the past through a procurement process at PMU or UNDP level.

92. For the contributory grant programme, only one procurement process was undertaken for the co-financing of barn construction⁷ (2012 grant programme). However, the grant programme co-financing the agricultural machinery was successful, with 154 grants provided for agricultural machineries, for a total of USD 1.15 million. The PMU Procurement and Finance Assistants supports the grant beneficiaries (individuals and entities) in the procurement of the relevant goods or works financed by the grant. The PMU also evaluates the results of the bidding processes and provides the no-objection for the recommended bidder. The final clearance is provided by the MFAL.
93. The mission went through the 2013 procurement plan and the register of contracts and reviewed the **bidding documents** and the **evaluation committee minutes** related to the procurement of forage crop demonstrations and turkey vineyard and walnut grove demonstration, done at the PMU level, and found these to be in order. For the procurement done at PMU level, the decision of the evaluation committee⁸ is approved by MFAL, and therefore sent to UNDP for review and issue of contract.
94. The main item in the procurement plan and register of contracts is the procurement of the Ardahan Livestock Market, for a value of USD 2.36 million. The process was lengthy and was delayed by the fact that the preferred bidder's financial offer was higher than then cost estimate, followed by MFAL intention to cancel the process and re-advertise. The contractor justified the higher cost due to the remoteness of the region, harsh weather conditions and high cost of transportation. After 3 months of MFAL considerations, the contract was signed in June 2013. Currently, the contract will be amendment to accommodate an increase of 10% of the contract cost. This is due to the elevation of the road crossing the market and miscalculations in the bill of quantities.
95. The quality of the procurement processes is considered **moderately satisfactory**.
96. **Audit.** The Board of Treasury Controller carried out the FY 2012 audit exercise. The report, submitted to IFAD in line with the corporate deadline, was reviewed by the IFAD's Controller and Financial Services Division and the financial statements and auditor performance was deemed to be satisfactory. As for the UNDP FY2011/2012 audit exercise, it was carried out by Rehber Consulting (Ankara) and was shared with the mission. The auditor expressed an unqualified opinion and the management letter addressed only minor recommendations.⁹

Agreed action	Responsibility	Agreed date
Improve the record keeping of the payment orders/vouchers and related supporting documentation, to follow the model of the 2011 and 2012 payment files.	Project Administrator	Immediately
TORs for the FY2013 audit should be submitted to IFAD for no objection prior to the comment of the exercise.	MFAL	Prior the signing of the contract with the auditor.
Closely monitor the 2014 procurement plan and ensure adherence to timetable of all phases.	PMU-UNDP-MFAL	During 2014 – continuously.

E. Sustainability

97. The AKADP operates in a socio-economic as well as in an environmental setting that poses specific challenges to achieving sustainability of project interventions. Distance from the more developed regions and markets represents a constraint both for the establishment of trade links

⁷ Contract No. AKADP/CW/CP-2013/1 – USD 17 769.

⁸ The evaluation committee for the procurement undertaken at the PMU level is composed of the Regional Administrator, a representative of the PDFAL and a PMU staff (Regional Economist or Civil Engineer).

⁹ Recommendations: (i) unit of currency may be indicated in the amount field of statement of expenditures; (ii) expenditure details at the transaction level is recommended to be presented through a standard template including data on sum of account number, to ensure its consistence visa-vis the statement of expenditures.

and for retaining human capital within the region. Climatic constraints of long and cold winters leading to short growing and construction seasons are also specific to the AKADP area and require specific technical solutions, resulting in comparatively higher investment costs.

Institutional Sustainability

98. At the central level, besides carrying out its inter-ministerial coordination and oversight functions, the Department of Rural Development of the GDAR is developing sense of ownership and capacity as an IFAD implementation partner. Engagement of other technical departments in MFAL depending on the specific expertise required to support implementation is also growing. At the provincial level, however, limited staff resources and high staff turnover at the PDAs of during the review period have undermined the efforts to build capacity through staff training and implementation experience.
99. The current major project investment in the ALM poses a challenge in terms of institutional sustainability; the planned support to the Ardahan Municipality is geared to identify an optimal institutional setup and management arrangement. The likelihood of sustainability will be increased if the most appropriate mechanism is rolled out that guarantees top-notch operations and maintenance of the facility, and enables beneficiaries' profitable engagement in the market. This will also require local authorities to enforce necessary regulations conducive towards a well-functioning market (such as the mandatory sales and purchase of livestock through ALM as a pre-requisite to obtain livestock licenses in the region). Institution building is rated **moderately satisfactory**.

Social Sustainability (Empowerment)

100. Cohesion and capacity to organize self-help activities at the village level under the coordination of the muhtar (i.e. not necessarily through formal cooperatives or associations) is one of the key dimensions evaluated in the selection of investments in village infrastructure. The likelihood of social sustainability for such investments is confirmed by the commitment to contribute to the investment costs by collectively acquiring the land where livestock watering facilities are to be constructed. Empowerment is rated **moderately satisfactory**.

Economic and Financial Sustainability

101. During the review period there has been slow progress in the farmers' training activities, geared towards improving farmers' yields and income. In order to achieve and ensure financial sustainability of co-financed investments as well as of investments in village economic infrastructure, these shall always be accompanied by a sound technical and financial analysis as well as close monitoring. The operating costs of the planned livestock watering facilities requiring pumping from deep boreholes need to be assessed to ensure that the proposed cost sharing mechanism is affordable in light of the increased milk and meat yields. The feasibility study carried out by the PMU for the livestock market in Ardahan includes a basic estimate of the running costs to be covered by a service fee. Such aspects shall be, however, dealt with thoroughly in a detailed operational plan to be developed with project TA. The mission rates the project's economic and financial sustainability **moderately satisfactory**.

Technical Sustainability

102. The project has supported the introduction of plastic tunnels and drip irrigation systems (Kağızman/Kars). All the materials procured are made and assembled in Turkey and are available locally. The main technical option considered for livestock water facilities is the development of simple piped networks operating on gravity only. Alternatively, electrical pumps are the selected option for the deep boreholes, in light of the relatively lower operating cost (compared to diesel) and easier maintenance. Skills, equipment and parts for repairs are available both from the private sector, the SPAs and Municipalities. The technical standards suitable for construction in extreme winter conditions were applied to the construction of the ALM. The mission rates the project's technical sustainability as satisfactory.

Environmental Sustainability

103. There are no environmental risks associated with project activities. Improvements in the farmers' capacity to produce more and better feed on-farm will reduce pressure on the rangelands and pastures. Better access to water will reduce livestock travel across the pastures and reduce compaction and damage to natural vegetation and reduce the risk water contamination by preventing direct access to the sources by means of piped networks and troughs. Groundwater abstraction rates would be based on an assessment of the aquifer recharge regime through pump tests. The construction of livestock marketing facilities meeting the hygienic standards for waste disposal would also result in positive environmental impacts. The mission rates the project environmental sustainability satisfactory.

Exit Strategy

104. The AKADP exit strategy comprises the incorporation of project approaches in the PDFALs' line of work. The secondment of PDFAL's staff has proved successful in the other IFAD-financed projects in Turkey (DBSDP and SEDP) to build capacity and sense of ownership at the Provincial level, paving the way for a satisfactory implementation of the exit strategy. To date, staff turnover is a constraint to the effectiveness of such approach in AKADP. The value chain analysis and business plan foreseen for the ALM should include a clear exit strategy, to guarantee the functioning of this market beyond project life-time. There remains nearly 30 months to the AKADP loan closing date. A detailed exit strategy for the project as a whole will be elaborated in the last 15 months, by Jan 2015.

F. Impact

105. Due to the delays in overall implementation and the limited amount of activities underway, the impact of AKADP supported activities is not yet visible but needs to be monitored and evaluated throughout the forthcoming implementation years. Assessment of impact shall also cover the training activities, on-farm demonstrations and the study visits geared to increase target group's awareness of the opportunities offered by the project as well as other support extended by the MFAL and other development interventions.

Physical and Financial Assets

106. In some instances, in order to mobilize the required level of co-financing (e.g. for barn construction) the farmers have sold some of their animals; the matching grant mechanism does, however, result in a net increase of fixed assets for the beneficiaries. Moreover, improved barns, availability of feed and livestock water in the pastures are likely to trigger own investments and increase the number of animals, which is to be monitored as part of the overall project M&E system. The ALM is a sizeable capital asset to be transferred to the Ardahan Municipality, which may then opt for tendering its management to private operators (which is highly recommended by the supervision mission as well as other project stakeholders, including representatives of PDFAL and DDFAL) under a concession. Physical and financial assets are rated **moderately satisfactory**.

Food Security

107. Turkey has a positive trade balance of fruit and milk products indicating self-sufficiency. Data at the province level in the AKADP project areas need to be assessed by the PMU, based on available statistics at PDFAL.¹⁰ The AKADP-supported interventions offer the opportunity to improve farm production (through interventions geared towards dissemination of improved agricultural technologies and farming practices) as well as trade (through interventions geared towards the support of marketing activities, and resulting in better terms of trade for the small producers). Food security is rated **moderately satisfactory**.

¹⁰ The WHO Global Database on Child Growth and Malnutrition (Feb 2008) suggests that in Eastern Turkey percentages figure below the median of 4.6 at -3SD and 14.7 at -2SD for weight/age and 16.3 at -3SD and 35 at -2SD for height/age.

Increase in Incomes

108. Preliminary data from the monitoring of on-farm demonstration yields, suggest a ten-fold increase in production for maize. The PMU would carry out a preliminary assessment of the increase in incomes that would result from improved access to livestock water. The missions inquiring findings showed that the livestock watering facilities may result in an increase in productivity of 10-20% from milk and 10-15% for meat. The increased farmers' income in connection with the expected reduction of transaction costs and improved animal health at the ALM is estimated to be sizeable, and preliminary forecasts reveal an expected increase in farm-gate price at least about 30% per head of livestock sold. This figure will be validated through the value chain analysis to be conducted during early 2014, and monitored throughout the rest of the project's lifespan.

Policy Impact

109. While IFAD's projects are proportionally very small in the context of the Turkish rural development programmes, the SEDP and DBSDP have introduced useful concepts for replication and scaling up with AKADP. The construction of the ALM would lay the ground for implementation of MFAL's policies in respect to livestock registration and trade, possibly also serving as an important tool in the region for the livestock market regulation.

Targeting Approach and Poverty Focus

110. Targeting approach and poverty focus in is rated **satisfactory**. The mission reviewed the grant co-financing applications, and noted a deviation from the targeting approach at design. This could possibly necessitate a revision at Mid Term Review, adjusting to farmers' current low demand for project co-financed activities, through an amendment of the co-financing ratio¹¹ (see Section C above, under the Smallholder and Non-Farm Enterprise Investments component). In fact, with regards to the livestock sector, one of the targeting measures was for beneficiaries to own less than 20 registered cows (see Design Report, Beneficiary Targeting and Analysis): some of the grant applications reviewed by the mission revealed that grants are being approved for farmers with more than 20 and even more than 50 heads of livestock. This means that the weighted scores used to approve farmers' applications do not strictly reflect the targeting measures set at design. The revision could possibly also consider applying a 'diversified targeting approach' with a different project co-financing grant ratio (for instance 70/30, or 80/20) for initiatives that are more collective in nature, and that could be more supportive of the livestock and horticultural sub-sectors, and can guarantee a more widespread outreach.
111. The Mission found the request of Artvin Provincial Directorate appropriate regarding the inclusion of Central District since, similar to the Yusufeli case, the villages under the Central District also have to move to the production to upper elevations and need support to be able to have a smooth transition.
112. **Gender focus.** Gender focus in implementation is rated **moderately satisfactory**, since no operational measures and activities have been performed to-date with regards to gender empowerment. There might be improvements in this regard during 2014, when the PMU plans to support some activities (such as ornamental plant production, small greenhouses and targeted training) especially in support of women empowerment. The mission noted that when the village assembly was convened in Esenkir-Kars to choose the demonstration beneficiary, women did not attend the meeting, and were not part of the decision-making process. In the future, the project could also ensure their active participation to be part of decision-making processes, if suitable to the cultural context. The PMU should ensure that concerted efforts are undertaken to tackle gender issues.

¹¹ The mission however recommends this change to be carefully evaluated, especially given that several co-financing grants have already been extended, and to avoid inequalities between beneficiaries.

113. **Innovation and learning.** The approach adopted by the project has great potential to introduce innovations and disseminate learning. This will be made possible once more effective implementing mechanisms are put in place to improve the quality of on-farm demonstrations. Presently, the mission noted that the introduction of drip irrigation is considered as the most significant innovation in the project area.

Agreed action	Responsibility	Agreed date
Review the co-financing ratio based on PMU's assessment, and subject to IFAD's approval.	PMU	Apr 2014

G. Conclusion

114. As noted above project implementation is lagging behind considerably behind schedule. The instruments in terms of a Baseline Survey, a Project Implementation and Co-Financing Manuals and procedures for generating good quality AWPBs necessary to achieve progress are in place. However staff shortages, low allocations for the respective components remain as issues. The current market and policy related unpredictability remains as a risk aversion issue at the smallholder level. These combined hinder the realization of investment opportunities that exist in the project area in terms of livestock and horticultural production as well as economic and social infrastructure projects.
115. Priority actions for the remainder of 2013 and beyond for project management and for the two components are outlined in detail above. In order to remove the obstacles in accelerating project implementation, several tasks should be completed in the upcoming period:
- Subject to a review of implementation progress in the first half of 2014, MFAL would propose a strategy and detail actions purporting to maximise the disbursement by the end of the Project.
 - Review of the current 60/40 ratio particularly based on the changes in the macro-economic conditions in the livestock sector combined with higher than estimated costs of some contributory grant investments. The review shall be geared to optimize the balance between maximizing the overall number of beneficiaries and Project outreach to the poorest clients with the potential to take advantage of improved access to assets and opportunities for agricultural production and rural income raising activities,
 - Preparation of designs for civil works investments for 2015 and follow up on the completion of the Ardahan livestock market, with support from MFAL technical staff;
 - Sourcing of specialized Technical Assistance to increase the likelihood of long term sustainability of the investment in the Ardahan Livestock Market and its relevance as a model for other regions in Turkey
 - Contracting the expertise (TA) to establish a small team for conducting on-farm demonstration program
 - The Borrower may wish to consider requesting an amendment to the Financing Agreement to accommodate inclusion of farmer organizations among the targeted beneficiaries.
 - Conducting a thorough assessment of the proposed milk collection centers for management, access to capital and organization of producers. The Project would procure external technical assistance for this assignment. While the projected beneficiaries of this assignment would constitute farmer organisations that currently are not eligible beneficiaries, this assignment would be considered in conjunction with the above request to amend the Financing Agreement
 - Giving priority to training for both PDFAL/DDFAL technical staff and farmers and supporting off-farm employment
116. The project overall performance is presently unsatisfactory due delayed implementation of several activities. However if the recommendations are implemented as agreed AKADP in the forthcoming months and throughout 2014, the Project would be well positioned for a serious leap forward in 2015.

Appendix 1: Summary of Project Status and Ratings

Basic Facts

Country	Turkey			Project ID	1492	Loan/DSF Grant No.	803
Project	Ardahan-Kars-Artvin Development Project					Supp. Loan/DSF Grant	
Date of Update	31-Oct-2013					Financing terms	O
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	2	No. of Implementation Support/Follow-up missions	2				
Last Supervision	27 May-8 June, 2012	Last Implementation Support/Follow-up mission	21-27 July 2013				

USD million Disb. rate %

Approval	17-Dec-2009			Total costs	26.41	
Agreement	12-Apr-2010	Effectiveness lag	6.6	IFAD Total	19.20	
Effectiveness	02-Jul-2010	PAR value	-----	IFAD loan	19.20	19.97%
MTR				DSF grant		
Current completion	30-Sep-2015	Last Amendment		IFAD grant		
Current closing	31-Mar-2016	Last Audit		Domestic Total	7.21	
No. of extensions	0			Beneficiaries	3.99	
				Government (National)	3.22	
				UNDP	0.25	

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	5	1. Quality of project management	4	4
2. Acceptable disbursement rate	2	2	2. Performance of M&E	3	3
3. Counterpart funds	4	3	3. Coherence between AWPB & implementation	3	3
4. Compliance with loan covenants	4	3	4. Gender focus	3	4
5. Compliance with procurement	3	4	5. Poverty focus	5	4
6. Quality and timeliness of audits	4	5	6. Effectiveness of targeting approach	5	4
			7. Innovation and learning	4	3
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Smallholder and Non-farm Enterprise Investments	3	3	1. Institution building (organizations, etc.)	3	4
2. Village Infrastructure Investments	3	3	2. Empowerment	3	4
3. Institutional Strengthening and Project Management	3	4	3. Quality of beneficiary participation	3	4
			4. Responsiveness of service providers	3	4
			5. Exit strategy (readiness and quality)	3	3
			6. Potential for scaling up and replication	3	3

B.5 Justification of ratings

The AKADP entered into force in July 2010. Project implementation remains behind schedule. The delay is mainly caused by difficulties in high turnover of key D/PDMFAL and funds allocations from the Ministry of Development to the Project, resulting in lower than anticipated activities that had been needed to be conducted under the respective components. This is reflected in the low disbursement rates. Field activities undertaken to date remain limited and scattered. The Ardahan Livestock Market (ALS) under Component 2 is behind schedule due to unforeseen modifications in the scale and scope of the works. The ALS continues to absorb a large portion of the annual allocations from the MoD.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	3	3
C.2 Food security	3	4
C.3 Overall implementation progress (Sections B1 and B2)	3	3

Rationale for implementation progress rating
The AKADP entered into force in July 2010.

Cumulative expenditure is as of 31 October 2013 is 1.82mill. Further, disbursement is seriously delayed due to lower than anticipated allocations from the Ministry of Development to the Project. Implementation progress remains behind schedule due both to continuing staff shortages at the D/PDMFAL and retaining key staff in the remote project region. Targeting of the project's activities has been in accordance with project design and AWPB across most activities.

C.4 Likelihood of achieving the development objectives (section B3 and B4)	3	3
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Rationale for development objectives rating

The shortages in both PMU and D/PDMFAL staff have hindered field monitoring of project's so far limited activities. The downturns in the broader livestock sector have impacted negatively on the willingness and capacity of the livestock producers to invest in new barns. The short construction season and low contractor interest for barn investments have added to the constraints for the planning of activities and management of procurement processes. Activities implemented remain limited mainly to demonstrations of some forage and horticultural crop demonstrations where overall quality was below expectations. Improved ownership at the central level is expected to positively influence future performance and accelerate implementation thus increasing the likelihood of achieving the development objectives of the project.

C.5 **Risks** Short description of major risks for each section and their impact on achievement of development objectives and sustainability

Delays in the procurement process that may hinder the implementation process.

Project implementation progress: Delays in implementation continue. Project achievements in terms of improving livestock and horticultural production of smallholders, village infrastructure and institutional strengthening are behind the appraisal targets. A small part of the 2012 supervision mission recommendations were implemented. In terms of institutional strengthening and training of PDA and District Directorates of MFAL, only a total of 42 staff have received training since the beginning of the project, which is not adequate due to the high turnover of staff.

Outputs and outcomes: To date, the cumulative delays in implementation have resulted in outputs that are lower than anticipated with some benefits accruing from farmer training and demonstrations undertaken under the Smallholder and non-farm enterprise investments component. An M&E Specialist has not been recruited yet. Therefore, the Project has no system to monitor outcomes and impacts. However, data on Project spending and outputs is satisfactory. Progress is yet too slow to measure outcomes.

Sustainability

The Project constitutes an appropriate framework for the introduction of sustainable investments for further development of the agriculture sector with potential for attracting additional smallholder farmers into more commercialised and profitable agriculture. However, due to the delays, risk remains in reaching all of the intended targets.

Proposed Follow-up

Agreed action	Responsibility	Agreed date	Status
Consider mechanisms payment for accommodation bills against receipts when travelling to other provinces	MFAL, UNDP	Immediately; 2012	Not complied with
Frequent visits by MFAL staff to project area to facilitate project implementation	MFAL	June 2012 onwards	Partially complied with
Sharing of experience and joint training programmes between PDA initiated	PMU/MFAL	August 2012	Partially complied with
Establish database and information flow for maintaining the database.	MFAL/PMU	July 2012	Partially complied with

Appendix 2: Updated Logical Framework: Progress Against Objectives, Outcomes and Outputs

Narrative Summary	Impact and Results Indicators	Means of Verification	Assumptions and Risks
Goal			
Rural poverty in the Provinces of Ardahan, Kars and Artvin reduced	By end of PY5: <ul style="list-style-type: none"> Reduction of at least 20% of rural people living on less than USD 4.30/day in targeted districts. At least 20% of households increase household asset ownership in targeted districts. Measurable decrease in chronic malnutrition among children below 5 years of age. 	National statistics on income by region. Ministry of Health, WHO and UNICEF data. Baseline survey. Impact assessment study. Completion Assessments.	Macro-economic environment and policy remains conducive to investment, private sector development and trade.
Objectives			
The incomes and access to productive rural infrastructure of poor rural smallholders participating in the project improved	By end of PY5 in target districts: <ul style="list-style-type: none"> 10% increase in income of targeted smallholder producers. 20% increase in volume and value and diversity of agricultural produce sold. At least 50 villages have improved, sustainable access to infrastructure (livestock drinking water, access to rangeland and pastures, and sewerage). 25% of farmers using investment plans in making decisions. 25% of farmers adopting improved production technology. 	Baseline survey. Independent impact assessment study. Household survey. Farmer survey. Mid-term Review and Completion Report. Sector studies.	No deterioration in existing markets for livestock and crops.
Outputs			
Component 1: Smallholder and Non-Farm Enterprise Investments Sub-component 1.1: Animal husbandry and feed base improved	By end PY5 in target districts <ul style="list-style-type: none"> 5% increase in average milk yields by end of PY2 and 10% by end of project. 5% increase in weight of livestock at the end of winter of PY 2 compared to PY1 in improved barns. 25% reduction in incidence of preventable livestock disease. 10% increase in calving rate. 50% increase in number of households using milking machines in 100 villages by end of project. Starting in PY2, in each PY: <ul style="list-style-type: none"> 10% increase in straw and grain harvested by farmers in 100 villages. 100 additional farmers producing silage in each project province. 10% increase in number of farmers producing forage crops. 2% annual increase in number of farmers producing forage seed for trade. 10% increase in number of farmers producing quality hay. By PY5: <ul style="list-style-type: none"> 800 farmers using newly constructed hay shelters. 	PMU reports. Annual Farmer survey. Technical and financial feasibility reports. Participatory Impact Monitoring. PDA and DDA data.	No major changes to agro-climatic conditions. No untreatable outbreaks of infectious disease in livestock.

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Republic of Turkey
Ardahan-Kars-Artvin Development Project – AKADP
Supervision report – Mission dates: 20-31 October 2013
Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Logical Framework (cont'd)

Inputs (USD million)	Financing (USD '000)	Timing	
1. Smallholder and Non-farm Enterprise Investments: 11.24 2. Village Infrastructure Investments: 10.37 3. Institutional Strengthening and Project Management: 4.81	1. Government: 3.22 2. IFAD: 19.2 3. Beneficiaries: 4.0	Completion of IFAD Quality Assurance Review (QA) and submission of Final Project Design Report to Government – early October 2009 Submission of draft Loan Agreement to Government – 3 rd week of October 2009 Loan Negotiations- 3 rd week of November 2009 Presentation to IFAD Executive Board - December 2009	
Total: 26.42	TOTAL 26.42		

Appendix 3: Summary of Key Actions to be Taken within Agreed Timeframes

Agreed Action	Responsibility	Agreed date
Subject to a review of implementation progress in the first half of 2014, MFAL would propose a strategy and detail actions purporting to maximise the disbursement by the end of the Project.	MFAL	As soon as possible
Review of the current 60/40 ratio particularly based on the changes in the macro-economic conditions in the livestock sector combined with higher than estimated costs of some contributory grant investments.	MFAL, IFAD	As soon as possible
Preparation of designs for civil works investments for 2015 and follow up on the completion of the Ardahan livestock market, with support from MFAL technical staff;	PMU, MFAL	As soon as possible
Sourcing of specialized Technical Assistance to increase the likelihood of long term sustainability of the investment in the Ardahan Livestock Market and its relevance as a model for other regions in Turkey	PMU	Jan. 2014
Outsource the expertise (TA) to establish a small team for conducting on-farm demonstration program	PMU	Jan. 2014
Reviewing the need to request an amendment to the Financing Agreement to accommodate inclusion of farmer organizations among the targeted beneficiaries.	MFAL, IFAD	As soon as possible
Conduct a thorough assessment (through TA) for the (i) Ardahan Livestock Market; and (ii) milk collection centres mainly for management; (ii) access to capital (inclusive of operating capital); and (iii) organization of producers.	PMU	Feb. 2014
Giving priority to training for both PDFAL/DDFAL technical staff and farmers and supporting off-farm employment	PMU, PDFAL, DDFAL	As soon as possible

Appendix 4: Physical Progress Measured Against AWP&B, Including RIMS Indicators

RIMS report, year 2013		Annual			Cumulative			Sum of actuals of previous years
	Unit	Plan	Actual	% of annual	Appraisal	Actual	% of appraisal	
Total outreach								
People receiving Project services	Total	78,450	11,222	14%	62,200	6,380	10%	5,262
People receiving Project services	Male	30,373	674	2%	33,800	3,416	10%	2,742
People receiving Project services	Female	30,686	448	1%	33,400	2,963	9%	2,520
Component 1 Smallholder and Non-Farm Enterprise Investments								
People receiving Project services	Total	3,414	1,002	31%	2,170	1,338	61%	246
People receiving Project services	Male	1,830	647	35%	1,533	871	57%	224
People receiving Project services	Female	1,575	345	22%	637	467	73%	22
Component 1.1 Improving Livestock and Husbandry Practices								
People receiving Project services	Total	1,462	1,042	71%	1,000	1,210	81%	168
People receiving Project services	Male	847	615	73%	1,370	760	56%	154
People receiving Project services	Female	620	428	69%	630	449	71%	14
Modern barns constructed/rehabilitated	A	20	-	0%	200	-	0%	-
Modern barns constructed/rehabilitated	HH	20	-	0%	200	-	0%	-
*Households receiving animal health services, inputs and equipment (milking machine, feeding machine, other)	A	227	171	75%	-	171	0%	-
*Households receiving animal health services, inputs and equipment (milking machine, feeding machine, other)	HH	227	171	75%	-	171	0%	-
*People trained in livestock production and technologies	A	40	20	50%	-	20	0%	-
*People trained in livestock production and technologies	Male	227	187	83%	667	276	41%	80
*People trained in livestock production and technologies	Female	-	-	0%	73	4	5%	4
*People trained in livestock production and technologies (poultry/straw)	A	-	-	0%	-	3	0%	3
*People trained in livestock production and technologies (poultry/straw)	Male	-	-	0%	-	65	0%	65
*People trained in livestock production and technologies (poultry/straw)	Female	-	-	0%	-	10	0%	10
*People trained in business and entrepreneurship	Male	-	-	0%	180	-	0%	-
*People trained in business and entrepreneurship	Female	-	-	0%	20	-	0%	-
Component 1.2 Horticulture								
People receiving Project services	Total	1,042	50	5%	180	126	70%	78
People receiving Project services	Male	603	33	5%	163	103	63%	70
People receiving Project services	Female	455	18	4%	18	26	143%	8
*Modern facilities constructed (greenhouse, plastic tunnels, other)	A	382	7	2%	-	7	0%	-
*Modern facilities constructed (greenhouse, plastic tunnels, other)	HH	382	7	2%	-	7	0%	-
*People trained in crop production and technologies	A	-	-	100%	-	2	0%	-
*People trained in crop production and technologies	Male	17	15	88%	162	85	53%	70
*People trained in crop production and technologies	Female	-	-	0%	18	8	44%	8
*People trained in business and entrepreneurship	A	-	-	0%	-	-	0%	-
*People trained in business and entrepreneurship	Male	20	-	0%	-	-	0%	-
Component 2 Village Infrastructure								
People receiving Project services	Total	75,000	-	0%	40,250	5,475	14%	5,475
People receiving Project services	Male	32,500	-	0%	20,125	4,738	24%	4,738
People receiving Project services	Female	32,500	-	0%	20,125	4,738	24%	4,738
*Market, storage, processing facilities constructed/rehabilitated	A	-	-	0%	2	-	0%	-
*Market, storage, processing facilities constructed/rehabilitated	HH	15,000	-	0%	-	-	0%	-
*Other infrastructure (sanitation facilities)	A	-	-	0%	6	-	0%	-
*Other infrastructure (sanitation facilities)	HH	-	-	0%	420	-	0%	-
*Livestock water points constructed/rehabilitated (ponds/piped systems)	A	-	-	0%	30	-	0%	-
*Livestock water points constructed/rehabilitated (ponds/piped systems)	HH	-	-	0%	2,100	-	0%	-
*Livestock water points constructed/rehabilitated (troughs)	A	-	-	0%	60	15	25%	15
*Livestock water points constructed/rehabilitated (troughs)	HH	-	-	0%	4,200	1,000	24%	1,000
*Land under irrigated schemes constructed/rehabilitated	A	-	-	0%	0	-	0%	-
*Land under irrigated schemes constructed/rehabilitated	HH	-	-	0%	630	-	0%	-
*Land under irrigated schemes constructed/rehabilitated	HH	-	-	0%	450	-	0%	-
*Roads constructed/rehabilitated	A	-	-	0%	10	7	70%	7
*Roads constructed/rehabilitated	HH	-	-	0%	200	805	403%	805
*Roads constructed/rehabilitated	km	-	-	0%	50	54	108%	54
Component 3 Institutional Strengthening and Project Management								
People receiving Project services	Total	45	30	67%	30	51	170%	21
People receiving Project services	Male	34	27	79%	24	45	188%	18
People receiving Project services	Female	11	3	27%	6	6	100%	3
Component 3.1 Institutional Strengthening								
People receiving Project services	Total	45	30	67%	30	51	170%	21
People receiving Project services	Male	34	27	79%	24	45	188%	18
People receiving Project services	Female	11	3	27%	6	6	100%	3
*Government officials and staff trained	A	2	-	0%	-	-	0%	-
*Government officials and staff trained	Male	34	27	79%	24	45	188%	18
*Government officials and staff trained	Female	11	3	27%	6	6	100%	3

Appendix 5: Financial: Actual Financial Performance by Financier; by Component and Disbursements by Category

Table 5A: Financial performance by financier as of 31 October 2013

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	19 200.0	1 821.4	9
UNDP grant	250.0	132.3	53
Government	1 114.1	86.6	8
Government (tax)	2 107.1	112.0	5
Beneficiaries	3 997.7	462.8	12
Total	26 668.9	2 615.1	10

Table 5B: Financial performance by financier by component (USD '000) as of 31 October 2013

Component	IFAD loan			UNDP grant			Government			Government (tax)			Beneficiaries			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Component 1 ¹²	7 666.7	830.9	11					54.4			34.1		3 568.8	462.8	13	11 235	1 382	12
Component 2 ¹³	8 151.8	460.4	6				211.9	0	0	1 581.4	56.6	4	424.9	0	0	10 370	517	5
Component 3 ¹⁴	3 381.5	530.1	16	250	132	53	902.2	32.2	4	525.7	21.3	4				4 553	715	16
Total	19 200	1 821.4	9	250	132	53	1 114.1	86.6	8	2 107.1	112.0	5	3 993.7	462.8	12	26 139	2 615	10

Note: the disbursement rate of IFAD financing in the tables 5A and 5B represent the actual disbursement undertaken by the project, without the initial deposit.

¹² Smallholder Investments.

¹³ Village Infrastructure Investments

¹⁴ Institutional Strengthening and Project Management

Table 5C: IFAD loan disbursements (SDR, as at 31 October 2013)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	Balance	Per cent disbursed
I	Civil Works	5 130 000	5 130 000	55 393.46	5 074 606.54	1.08
II	Vehicles, Equipment and Goods	330 000	330 000	34 918.44	295 081.56	10.58
III	Technical Assistance, Training and Workshop	1 470 000	1 470 000	54 086.45	1 415 913.65	3.68
IV	Co-financing of Investments	3 370 000	3 370 000	373 032.97	2 996 967.03	11.07
V	Agricultural Inputs	940 000	940 000	13 202.37	926 797.63	1.40
VI	Recurrent Costs	800 000	800 000	258 851.92	541 148.08	32.36
	Initial deposit			1 622 786.40	-1 622 786.40	
	Total	12 080 000	12 080 000	2 412 271.91	9 667 728.09	19.97

Note: the disbursement rate of IFAD financing in the table 5C represents the disbursement from the IFAD Grant Account, including the advance /initial deposit.

Appendix 6: Compliance with Legal Covenants: Status of Implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section B 2	The Borrower shall pay to the Fund interest on the principal amount of the Loan outstanding.	Semi-annually, payable on each 1 June and 1 December. To be routinely monitored for compliance.	Complied with.	
Schedule 1 Section 7	The Borrower, through MFAL, shall authorise UNDP to hold and disburse Loan Funds on its behalf as set forth in the Loan agreement and the UNDP Service Agreement. To this end, UNDP shall use its own official corporate account to receive funds from the Special Account.	To be routinely monitored for compliance.	Complied with.	
GC 4.02 (b)	No withdrawal shall be made from the Loan Accounts until the first AWPB has been approved by the Fund and the Fund has determined that all other conditions specified in the Financing Agreement as additional general conditions precedent to withdrawal have been fulfilled.	To be routinely monitored for compliance.	Complied with.	
GC Section 4.04 (d)	If the Borrower requests a withdrawal from the Loan Accounts for amounts to be paid thereafter for Eligible Expenditures, the Fund may, before transferring such amount to the Borrower, require that the Borrower provide evidence satisfactory to the Fund showing that previous withdrawals have been properly spent for Eligible Expenditures. The Fund may place reasonable limits on the amount that the Borrower may withdraw in advance or the overall balance of such advance withdrawals, and may require that such amounts be held in a freely convertible currency and/or be held in an account designated for that purpose in a bank acceptable to the Fund.	N/A	Complied with.	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
GC 4.08 (a)	All expenditure under the Financing shall meet the reasonable cost of goods, works and services required for the Project and covered by the relevant AWPB and procured in conformity with the Fund's Procurement Guidelines.	Continuous.	Complied with.	
GC 7.01 (b) (ii)	MFAL shall submit draft AWPBs to the Fund for comments and approval.	No later than 30 days before the beginning of the relevant Project Year. To be routinely monitored for compliance.	Partially complied with.	The 2013 AWPB was submitted to IFAD at the end of December 2012 and approved on 7 January 2013.
GC 8.03	MFAL, or other party so designated in the relevant Agreement, shall furnish to the Fund periodic progress reports on the Project, in such form and substance as the Fund shall reasonably request. At a minimum, such reports shall address (i) quantitative and qualitative progress made in implementing the Project and achieving its objectives, (ii) problems encountered during the reporting period, (iii) steps taken or proposed to be taken to remedy these problems, and (iv) the proposed programme of activities and the progress expected during the following reporting period.	To be routinely monitored for compliance.	Complied with.	
GC 9.02	MFAL shall deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the Project for each Fiscal Year prepared in accordance with standards and procedures acceptable to the Fund and deliver such financial statements to the Fund within four (4) months of the end of each Fiscal Year.	To be routinely monitored for compliance.	Not complied with	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
GC 9.03	The Borrower shall: (a) each Fiscal Year, have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund and the Fund's Guidelines on Project Audits (for Borrowers' Use) by independent auditors acceptable to the Fund; (b) within six (6) months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof.	Audit report provided to IFAD by 30 June annually.	Complied with	
GC 11.01	The Financing and all Loan Service Payments shall be exempt from all Taxes, and all Loan Service Payments shall be made free and clear of Taxes.	Continuous.	Complied with.	

Appendix 7: Knowledge Management: Learning and Innovation

Learning

The approach adopted by the project has potential to introduce innovations and disseminate learning. This will be made possible once more effective implementing mechanisms, including staff and physical infrastructure such as equipment and machinery are put in place to improve the quality and quantity of on-farm demonstrations.

Innovation: Describe any interesting innovation noted during supervision

The mission noted that the introduction of drip irrigation is considered as the most significant innovation in the project area.
