

**REPUBLIC OF TURKEY**

Ardahan-Kars-Artvin Development Project (AKADP)

IFAD Loan No. 803-TR

Supervision Mission: 27 May – 8 June 2012

**Introduction<sup>1</sup>**

1. An IFAD supervision mission visited Turkey from 27 May to 8 June 2012 to supervise and provide implementation support for the Ardahan-Kars-Artvin Development Project (AKADP - IFAD Loan No. 803-TR) financed by the Government of Turkey and IFAD. Along with Project counterparts from the Ministry of Food, Agriculture and Livestock (MFAL), the AKADP Project Management Unit (PMU), the Provincial Directorates for Agriculture (PDAs) and UNDP, the mission reviewed implementation progress and discussed opportunities and activities to further enhance Project implementation for the remaining part of 2012 and beyond. Joint Field visits (MFAL, PMU, IFAD, and UNDP) were undertaken to the Kars, Ardahan and Artvin provinces from 27 May to 2 June, where the mission met with Project stakeholders and clients.

2. This *Aide Mémoire* reflects the mission's main findings and recommendations, and records the agreements reached with relevant Government authorities and UNDP. The key issues and recommendations were discussed and agreed at a Wrap Up meeting in Treasury chaired by Mr. Ali Cevik, Head of Department, on 7 June 2012. Participants in the Wrap-up Meeting comprised representatives from MFAL, Ministry of Development (former State Planning Organisation) and UNDP. This document is subject to confirmation by IFAD Management through submission a Management Letter. The mission expresses its appreciation for the cooperation and hospitality extended by MFAL at the central and provincial levels.

3. The AKADP entered into force 2 July 2010, and constitutes an investment of USD 26.6 million, of which the IFAD loan amounts to ca. USD 19.2 million. The Project provides support to the livestock and horticultural sectors in the Kars, Ardahan and Artvin provinces mainly in the form of (i) co-financing of investments in the livestock and horticultural sector, demonstrations and training under Component 1; and (ii) infrastructure investments under Component 2.

4. To date, almost 33% of the implementation period has elapsed with a disbursement rate of about 8 % indicating a low disbursement coefficient of 0.21. Likewise actual cumulative expenditure at the time of the mission is relatively low, amounting to USD 267,570. The closing date for the IFAD Loan is 31 March 2016. The main objective of the mission was to provide guidance in order to accelerate implementation and subsequently disbursements.

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<sup>1/</sup> The mission comprised: Henning V. Pedersen, Country Programme Manager, Mikael Kauttu, Associate Country Programme Manager, Nedret Duratan, Agriculturalist, Cuneyt Okan, Rural Development Specialist, Michele Pirazzoli, Rural Infrastructure Engineer, Silvia Mancini, Loan and Grants Officer. The MFAL team who accompanied the mission during the field visits was led by Sule Özevren, Coordinator MFAL. UNDP was represented by Arif Öztürk, UNDP Administrator for AKADP and Guray Balaban, Civil Engineer.

### **A. Overall Assessment of Project Implementation Progress**

5. In view of delays in recruitment of key staff and seasonality of activities due the very harsh climatic conditions in the project area project implementation is lagging behind schedule. In terms of overall tools for implementation an instructive and comprehensive Baseline Study has been completed which identifies the first 40 villages eligible for project support. A Manual for co-financing activities has likewise been completed and received no objection from for IFAD. The Annual Work Plan and Budget (AWPB) for 2012 with an aggregate spending target of USD 2.4 million was produced early 2012 and received IFAD's no objection in February 2012.

6. Activities under Component 1 – Smallholder Investments and Non-farm Enterprise Investment so far have comprised mainly demonstrations, farmer training tours, call for investments into modern barns.

7. Out of the planned 28 investments into barn constructions, 20 applications were received. In order to further enhance the number of applications, the deadline for submission for investment requests was extended until 15 of June. 55 demonstrations (mainly forage crops) were implemented and 90 farmers were sent for training regarding improved livestock practices.

8. The mission notes that the quality of demonstrations needs improvement to achieve acceptable technical standards. This will require (i) careful planning of demonstration activities including a solid buy in from farmers; (ii) the use of improved agricultural operations; and (iii) monitoring and assessment and dissemination of results. This in turn will require focused training of PDA staff in extension skills and farmers in farming as a business. In this context an overriding key element will be training of PDA staff and farmers in farming as a business.

9. Activities under component 2 - Village infrastructure has so far focused on the support for a new livestock market in Ardahan within a framework agreement between MFAL and the Ardahan Municipality (estimated cost around USD 1.0 million). The detailed design is nearly completed and the construction is expected to be tendered in about one month. Anticipated benefits include reduced disease and incremental sales for most of the 15,000 registered farmers across the 5 Districts of Ardahan.

10. The core activity of the Component is, however, the construction of village public social and economic infrastructure (sewer, livestock watering facilities, irrigation) in the selected project villages. The identification of eligible investments is lagging behind schedule and additional support to the newly recruited Field Engineer is required from MFAL, UNDP and from IFAD, who will field an Implementation support mission in July. Failure to meet the target to contract the design works by mid-September 2012 would inevitably risk missing the entire 2013 construction season.

11. The project has been successful in carrying out the preparatory work for the provision of cattle troughs and grading of pastures access roads, which are also financed under the Component. The implementation of such activities is expected to start shortly and to be completed by year end.

12. Project Management component 3 - the PMU is responsible for facilitation and coordination of the Project's activities at the provincial level under the overall guidance and supervision of the General Directorate of Agrarian Reform, Department of Rural Development, MFAL in Ankara. Currently, the PMU comprises one Regional Administrator with an overall coordination responsibility, a Field Engineer (about to assume functions in the coming days) and a Procurement Officer. A UNDP Administrator has been recruited in Ankara and is supporting the Project in procurement and financial management. The required number of officers has been seconded from the PDAs although only one full time in Kars. The competitive recruitment of the agricultural economist will be retendered. The position for M&E will be advertised. The operations of the PMU have

been hampered by lack of vehicles, due to SPO denial of an allocation for vehicle purchases. Addressing of the problem through car rental has been unsatisfactory due to the requirement to obtain Governor permission for field visits into neighbouring provinces.

13. The performance of the Regional Administrator has not been satisfactory. It was therefore agreed that the contract ending 30 June should not be extended and a new recruitment will take place as soon as possible. This will require a substantial increase in the presence by the MFAL staff at the province level until a replacement has been recruited.

14. In overall terms the key elements for an accelerated project implementation are in place. A range of relevant investments have been identified and the PDAs most notably the competent unit in Artvin are assuming ownership of the project. A point for satisfactory implementation is the strict adherence to deadlines due to seasonality of investments and activities. Key issues and recommendations to be addressed are outlined throughout this Aide Memoire. If these are implemented as agreed AKADP will be on a satisfactory track for the remaining part of 2012 and well positioned for a serious leap forward in 2013. In order to further enhance outreach and accelerate investments the mission endorses that the Savsat District in Artvin Province will be added by Project investments focussing on livestock production.

## **B. Outputs and Outcomes, by Component**

### **i) Component 1 – Smallholder and Non-farm Enterprise Investments**

15. Activities under the Smallholder and Non-farm Enterprise Investments consist of (i) investments in construction of barns; (ii) demonstrations for improved livestock production; (iii) capital investments into horticultural and crop production; and (iv) demonstrations for improved horticultural and crop production.

#### **Sub-component 1.1. Improvement of Livestock Husbandry Practices**

16. **Investments in construction of barns:** 21 applications were received from livestock owners in the Project area (11 from Kars, 12 from Ardahan and 8 from Artvin), somewhat less than the 28 planned. The mission recommends to study the reasons for lower demand than expected. During the course of the mission it was noted that compelling reasons may be: (i) lower prices for livestock products in 2012 compared to 2011; and (ii) overall uncertainty of government policy for the livestock sector. The mission recommends that timely meetings are held with villagers on a continuous basis to inform about financing modalities (financing ratio 60% from project, 40% client contribution) and technical recommendations for barn construction. The mission further recommends that communication concerning cofinancing possibilities is further strengthened to increase awareness of the project. This also requires training of PDA staff in communication with clients.

17. Rehabilitation of barns as opposed to construction of new units could be considered for next year however only for the villages where land availability due to topographic reasons is a problem and agricultural practices are otherwise satisfactory. Project and PDA staff should develop models to this effect. However, such rehabilitation should be implemented in a sound technical manner. Thresholds for project investments for such rehabilitation should be developed. In line with the cofinancing manual, a flexible approach be adopted concerning the size of the barns to be constructed. For instance, if a producer plans to benefit from co-financing to construct a barn bigger than the Project norm, he/she could receive support for only for the Project allocated amount and top up the remainder with own resources.

18. The mission noted differences in the process for obtaining construction permits between provinces. It is recommended that such processes should be streamlined throughout the project area with the support from the PDAs and the PMU.

19. **Investments in small machinery, equipment and material:** Priority in investments in small equipment must be given to seed drill(s) in order to not to miss the fall planting season.

20. **On-farm Demonstrations:** It was reported that 55 forage crop (Hungarian vetch, alfalfa and sainfoin) demonstrations were conducted in 2011 and second quarter of 2012. Although a small percentage of the demonstrations were visited during the mission due to access problems, it was observed that such demonstrations (except Artvin) were clearly unsuccessful. The underlying reasons are: (i) lack of training of the technical staff; (ii) insufficient knowledge by staff about the opportunities provided by the Project; (iii) limited mobility of the technical staff due to vehicle shortages; (iv) staff shortages in terms of quantity; and (v) insufficient management by PDAs and PMU (late procurement of inputs, poor planning, inefficient use of project resources, lack of monitoring).

21. It is important to conduct successful on-farm demonstrations where every operation is implemented according to the technical norms. A demonstration that reflects technical knowledge and practices gives vision to the farmers and motivates them to perform better in order to achieve similar good results in their own environment with their own resources. Therefore, it is of utmost importance that the PDAs and DDAs ensure high quality demonstrations. The number of demonstrations should be adjusted downwards to ensure quality. Priority should be given to staff training to PDA and DDA staff before fall planting season in demonstration techniques and dissemination of information to be supported by on-the-job training when the demonstrations are being established.

22. The on-farm demonstrations require close monitoring and documentation from the beginning to ensure that the technical practices are followed. This also includes documentation of the behavioural change in the villages drawing upon information in the baseline study.

23. **Farmer training:** The only training programs to date were the two study tours organized to SÜTAŞ Farmer School (in Aksaray) and Sivas Erzincan Rural Development Project for 90 individuals from Project villages. Only a small percentage of these producers applied for co-financing. It is recommended that the reasons for the low percentage be clarified. In addition, behavioural changes after the study tour should also be monitored and documented. The analysis of results will help to plan more effective training programs. For the planned study tours for 2012, the Project and PDA staff should ensure that upon return to their respective villages, the participants share their experience with other livestock owners who could not benefit from such opportunities. The Project should facilitate in such experience sharing sessions.

24. The project provides funds for a wide range investments. In order to make effective and efficient use of these, the farmers must receive training on managing a small business as much emphasized under the notion of "farming as business" both in the Project document and in the PIM. In other words, in order to move towards more commercial production, the livestock owners should be able to: (i) manage limited resources for a successful farm business; (ii) prepare simple business plan for existing or start-up farm business; and (iii) do simplified accounting (book keeping) for their "business". Investments should be supported only after such training is provided and results found satisfactory. The sector suffers from a multitude of investments that have failed because such basic training was not given to investors.

### **Sub-component 1.2. Improvement of Horticultural Practices**

25. **Investments in plastic tunnels:** To date, no investments were made for such activities.

26. **Investments in orchards:** Based on the suggestion made by PDAs, especially by Artvin, the mission recommends that co-financing be made available also for modern orchards (established with proven marketable types and varieties, fenced, drip-irrigation

installed, where new plant 'training' methods for production are applied). The standard financing ratio, 60-40 will be applied.

27. **Investment for greenhouse for seedling production.** Due to the current vague financial status of Vegetable Producers' Association in Yusufeli/Artvin there is a need to find alternative potential investors in 2013. Artvin PDA will seek applications from prospective investors (individuals or commercial entities).

28. **On-farm Demonstrations:** It is recommended that such demonstrations be initiated after technological staff received training on new technologies in horticultural sector. This will make: (i) the selection of species and varieties and agronomic practices more up-to date; and (ii) the use of Project funds more efficient.

29. **Farmer training:** In 2012 AWPB, training was foreseen at the relevant research institutes (Yalova, Erzincan and Tekirdağ). It is recommended that the training programs cover: (i) needs of export-oriented companies that use advanced technologies, and (ii) large orchards run by individual professional farmers. Such exposures are expected to: (i) challenge the participating farmers' pre-conceived ideas and predispositions; (ii) open up themselves to explore different ideas and broaden their understanding; and (iii) develop a vision for their holdings. The mission endorses the idea of organizing study tours to DBSDP where similarly small and resource poor farmers have set excellent examples of good horticultural practices. The AKADP beneficiaries will easily associate themselves with such producers. As in the case under subcomponent 1.1, Project staff should also ensure that upon returning to their villages, the participants share their experience with other horticultural producers who could not benefit from such opportunities; and monitor behavioural changes.

Agreed action	Responsibility	Agreed date*
Conduct a small survey in all provinces to identify the reasons for low interest for barn construction and other cost shared activities	PDA staff	30 June
Develop minimum basic standards for barn rehabilitation	MFAL and PDAs	30 June
Review and revise gender targets	PMU	
Determine cost sharing arrangements for barn rehabilitation including ceiling	PMU and MFAL	31 August
Determine demand and cost sharing arrangements for orchard investments including ceiling	PMU and DDAs	Prior to call for applications
Complete staff training for demonstrations and dissemination of information methodology	PMU	1 August
Complete equipment procurement	PMU	31 October
Complete study tour program for farmers	PMU	31 August
Review demand for greenhouse establishment for fruit and vegetable seedlings and develop investment models	MFAL and PDAs	31 August

\* Activities requiring travel that may be risky due to weather must be completed before wet/cold season

## ii) Component 2 – Village Infrastructure

30. **Overview.** Expenditures foreseen under Component 2 for 2012 are USD 1.1 million, intended mainly for the construction of the Ardahan Livestock Market and for the procurement of designs of village infrastructure to be implemented from 2013 onwards. The mission notes that implementation is behind schedule as most of the deadlines agreed during the Dec 2011 Implementation support mission have not been met. Close adherence to the deadlines set in the revised work programme as detailed in this AM would, however, put the implementation on a sound track to achieve the Component global targets.

31. **Ardahan Livestock Market.** In line with the December 2011 Implementation support mission recommendation, the detailed design of the Ardahan Livestock Market is being carried out by the engineering consulting firm initially contracted for SEDP and DBSDP. The mission notes that the field work started with a delay of 4 months compared to planned, due to the lengthy process of amendment to the DBSDP/SEDP supervision contract. The quality of the services provided to date (preliminary design and cost

estimates) is, however, satisfactory and the objective of starting the construction works (most notably the pavement and structural concrete) by September 2012 is still technically feasible, provided a strict time-bound schedule is adhered to without further delays. By assuming a bid price in the range of USD 1.0 million, the projected disbursement for construction works by end 2012 would be about USD 600,000 (74% of 815.00 planned in the 2012AWPB), while the balance to complete the construction works shall be re-allocated in the 2013 AWPB.

Agreed action	Responsibility	Agreed date
Finalization of designs, BoQs and technical specifications	Consultants	30 June
Preparation and clearance (IFAD, UNDP HQ) of prequalification (EOI) documents	UNDP engineer	18 June
Prequalification Announcement (EOI)	UNDP	24 June
Submission of EOI documentation	Bidders	24 June-24 July
Evaluation of Bids (EOI)	UNDP, MFAL	30 July
Clearance of EOI evaluation results (IFAD, UNDP HQ)	UNDP	1 August
Preparation of ITB documentation	UNDP Engineer	24 June-24 July
Submission of ITB documentation	Bidders	1-15 August
Evaluation of Bids (ITB)	UNDP, MFAL	21 August
Clearance of evaluation results (IFAD, UNDP HQ)	UNDP	28 August
Signing of contract	UNDP, Contractor	30 August
Construction works and site supervision	Contractor, Consultants	Sept-Oct

32. Based on the detailed survey of the area and on the preliminary layout plan, the facility would have the capacity of 1,140 sheep and 2,540 cattle. However, the latter figure is expected to be reduced to about 2,300 in the final design, in order to allow for widening the conveyance roads within the paddocks (from 1.5 m to 2.5 m). The relocation of the manure stockpile area away from an existing service building to be incorporated in the final designs has been also agreed by the mission with the project parties.

33. The project is geared to meet the required standards to license the facility in line with the current legislation, whereby the PDA would provide a full time vet service. The anticipated benefits include reduced disease and incremental sales for most of the 15,000 registered farmers across the 5 Districts of Ardahan, which are mainly livestock keepers. However the relevant baseline data (number of animals sold, selling price, incidence of diseases, etc.) alongside with target indicators (number of beneficiary smallholders, expected reduction in mortality rates and increase in sale) still need to be collected and assessed by the PMU (by hiring consultants if deemed necessary) for subsequent monitoring of impact.

34. **Village infrastructure.** No progress was observed about the identification of investments in village public social and economic infrastructure (sewer, livestock watering facilities, irrigation) to be financed and implemented in selected project villages from 2013 onwards. This is seen as a major bottleneck to the successful implementation of the project. With the imminent official appointment of the new Field Engineer (who joined a mission field visit and who will start his assignment in the project area by 11 June), the identification process shall be started with no further delays.

35. The key milestone is the award of the design contract by mid-September, allowing at least one month to carry out the site investigations and topographic surveys before access to the sites is hindered by adverse weather (generally mid-October). Failure to meet such target would inevitably result in missing the entire 2013 construction season.

36. The identification of future investments across the first batch of 40 villages would start with the review of the data collected in spring 2011 for the baseline survey and of the feasibility studies/designs carried out by the SPAs and DSI, and will continue with meetings with the village *muhtars* (chaired by MFAL) to illustrate the component scope, application, review process and required commitments in line with the PIM. The subsequent field assessment carried out by the Field Engineer, with support from the DBSDP engineers, the UNDP Engineer and an IFAD implementation support mission, will

be geared to form an homogenous package for the design as well as for the first construction tender (to be launched during the spring of 2013). It can be expected that the first package of investments to be designed in 2012 and implemented in 2013 will focus on social infrastructure.

37. The available balance for design works (excluding design and supervision of the Ardahan Livestock Market) in the 2012 AWPB is expected to be about USD 100,000 and will be fully utilized provided the deadlines listed in the table of agreed action below are met. Subject to availability of additional funding resulting from savings across Components, the mission recommends that all foreseen design works for the first batch of 40 villages be carried out in 2012, including for such infrastructure which is scheduled for implementation in 2014 and 2015. This will advance implementation and enhance subsequent planning having clearly defined targets and cost estimates prior to AWPB preparation.

Agreed action	Responsibility	Agreed date
Baseline data and visits to DSI and SPAs for the 40 villages	FE, PMU	Starting 11 <sup>th</sup> June
Meetings with village muhtars in 3 provinces	MFAL, PMU, FE	18-23 June
IFAD field mission (10 days) to support in the identification of infrastructure projects and assessment of progress on the activities relating to the Ardahan Livestock market.	IFAD, UNDP engineer, DBSDP engineers, FE	24 <sup>th</sup> June – 24 <sup>th</sup> July
Ranking of project proposals and selection of investments for 2013 (and reserve for 2014)	PMU, MFAL	30 July
Preparation and clearance (IFAD, UNDP Regional Bureau for Eastern Europe and the CIS Countries "RBEC") of design tender documents	UNDP engineer	7 August
Design Tender Announcement (RFP)	UNDP	8 August
Submission of design bids	Bidders	9 August- 30 August
Evaluation of Bids	UNDP, MFAL	1 September
Clearance of evaluation results (IFAD, UNDP RBEC)	UNDP	14 September
Signing of contract	UNDP	15 September
Survey	Designers	15 Sept-15 Oct
Design work	Designers	Oct- Dec
finalization of construction tender documents for 2013	UNDP engineer	March 2013

38. It is the mission recommendation that due to the workload envisaged, the Field Engineer concentrates on the identification of eligible infrastructure investments. To this effect the supervision of the construction of the Ardahan Livestock Market shall be outsourced to the consultants that are currently undertaking the detailed design assignment.

39. **Cattle troughs.** The tender documentation for the procurement of 15 galvanized steel troughs (each consisting of a set of 4 units) to be delivered across the project Provinces has been finalized. In order to allow for the timely installation of the troughs in the pastures during this summer grazing season, the procurement process shall be accelerated and follow the schedule hereunder.

Agreed action	Responsibility	Agreed date
Tender Announcement (RFQ)	PFO, UNDP Admin	5 June
Submission of quotations	Bidders	6-29 June
Evaluation of quotations	PMU	30 June
Signing of contract	UNDP Administrator	1 July
Delivery and installation of troughs	PMU	July-August
Identification of troughs for 2013	PMU	30 September

40. While not explicitly indicated in the AWPB, the population benefitting by the first lot of troughs is estimated to be 2,345 households and 10,542 people across 15 villages. The demand assessment for troughs to be installed during 2013 and onwards shall be carried out on an ongoing basis while identifying the second batch of targeted villages during 2012. It shall be emphasized that based on the village specific needs, the

targeted communities may also require more than one trough set. Such investments have a low cost/beneficiary and result in obvious livestock health, productivity and environmental benefits.

41. **Roads to Pastures.** The formalization of protocols between PDAs, SPAs and MFAL allowing the transfer of funds from the Government budget to the SPAs for the purpose of road grading works in the targeted villages have been completed. The list of road sections to be implemented before end 2012 across 7 villages has been revised and now consists of a total of 40 km (against 54 km planned in the AWPB), but the estimated beneficiary population has increased from 895 to 1,300 households. In terms of road lengths rehabilitated, the planned works represent a sizeable 80% of the target to project end.

42. While ensuring that the SPAs carry out the road grading works according to the terms set in the protocols, the PMU shall assess the demand for additional road sections to be implemented during 2013 and onwards on an ongoing basis both in the 40 villages already targeted and while identifying the second batch of targeted villages during the remainder of 2012.

Agreed action	Responsibility	Agreed date
Road grading works	SPAs	June-Sept
Identification of road sections for 2013	PMU with SPAs	June-Sept

### C. Project Implementation Performance

43. As noted above project implementation is lagging behind however the instruments in terms of a Baseline Survey, a Project Implementation Manual (PIM) and procedures for generating a good quality AWPB are being put in place. At the same time abundant investment opportunities exist in the project area in terms of co-financing of livestock and horticultural production but also strategic and social infrastructure projects such as the livestock market in Ardahan, pasture roads, water points as well as sanitation schemes which have both social and environmental benefits. In order to match these elements a more proactive management process in terms of communication, planning and execution needs to be initiated in a coordinated manner by responsible entities i.e. PMU, MFAL, PDAs and UNDP. As far as M&E is concerned the mission provided guidance as to how initiate and manage such activities. With respect to targeting the project needs to further strengthen this element especially related to gender issues. Concerning knowledge management such activities are still to commence the PIM however provides the project clear direction to this effect with emphasis on stakeholder workshops, documentation and dissemination of results. With respect to partnership project investments are aligned with other programmes such as IPARD and Government sponsored schemes currently being implemented in the project area.

44. **Project management performance.** PMU is responsible for facilitation and coordination of the Project's activities at the provincial level under the overall guidance and supervision of the General Directorate of Agrarian Reform, Department of Rural Development, MFAL in Ankara. Currently, the PMU comprises one Regional Administrator with an overall coordination responsibility, a Field Engineer and a Procurement Officer. A UNDP Administrator has been recruited in Ankara and is supporting the Project in procurement and financial management. The competitive recruitment of the agricultural economist will be retendered. The M&E position will be advertised. The operations of the PMU have been hampered by lack of vehicles, a problem which is now been solved through rentals on an interim basis until procurement can take place next year providing SPO allocates the necessary budget. The mission notes that PMU staff is not allowed to use the rental vehicles outside of the province areas. It is recommended that a higher degree of flexibility is exercised on transport issues to enhance implementation. Four technical staff have been seconded from the Kars PDA (only one full time) two from Ardahan PDA and two in Artvin PDA.



45. Early in 2012 both the Field Engineer and the procurement officer resigned after short tenure. Replacements have now been newly recruited. In order to retain contracted staff and enhance mobility for contracted staff it is recommended that MFAL together with UNDP consider that mechanisms be put in place to reimburse the cost of accommodation against submission of receipts. Otherwise incentives to travel to field and work effectively will significantly be reduced in view of that the provinces cannot be covered from one province without overnight stay. Required equipment for the functioning of PMU and associated PDA offices has been procured. The performance of the Regional Administrator in terms of focusing on task, coordination with PDAs and MFAL, document management and comprehension of project objectives, components and implementation arrangements has not been satisfactory. It was therefore agreed that the contract ending 30 June 2012 should not be extended and a new recruitment will take place as soon as possible. This in turn requires that MFAL staff on a temporary basis will have to assume a much higher degree of planning and coordination responsibilities at the province level. The AWPB for 2012 although reasonably satisfactory was produced within a very short time period end of 2011. In order to enhance ownership, realism and accuracy it is recommended that the process for developing the AWPB for 2013 commence in September 2012 with a broad involvement of all stakeholders (MFAL, PMU, PDAs farmer and women groups).

46. The capacity of PDAs for project implementation is uneven with the Artvin PDA staff, as evidenced through field visits, having proven track record in conducting farmer demonstrations and documenting results and being proactive during implementation. It is recommended that a sharing of experience and approaches takes place between PDAs through exchange visits and joint training programmes. This would also facilitate the conduct of state of the art demonstrations an element which is lacking both in Kars and Ardahan. The procurement of national technical assistance in the areas of training for farming as a business needs to be accelerated. Draft TOR for such assignments should be submitted to IFAD by mid-July by MFAL developed with the assistance of UNDP. In order to further accelerate implementation in the Artvin Province and view of geographical distance the mission endorses that a Procurement Officer is externally recruited for the Artvin PDA. It is also recommended that communication among parties should be enhanced by regular meetings and sharing of experience through integrated training especially related to planning budgeting and procurement.

Agreed action	Responsibility	Agreed date
Flexibility in use of Project vehicles introduced	MFAL	immediately
Consider mechanisms payment for accommodation bills against receipts when travelling to other provinces	MFAL, UNDP	immediately
Terminate contract for Regional Administrator and initiate new recruitment	MFAL/UNDP	15 June 2012
Frequent visits by MFAL staff to project area to facilitate project implementation	MFAL	June 2012 onwards
Procurement of consultancy services for Ag Economics training	UNDP/PMU/MFAL	15 July 2012
Sharing of experience and joint training programmes between PDA initiated	PMU/MFAL	August 2012
Commencement of AWPB preparation for 2013 at an early stage to ensure realism ownership and adherence to deadlines	MFAL/PMU/PDAs/UNDP	September 2012

47. **Monitoring and evaluation.** Monitoring of project activities and data collection is the responsibility of the PMU Regional Administrator. The elements of project evaluation are (i) baseline study; (ii) monitoring data; and (iii) impact evaluation. A baseline study has been conducted and is satisfactory. As per project design, evaluation of project impact shall be outsourced to an external research entity in due course; due to the early stage of project implementation, procurement of the evaluation is not impending.

48. **Status of the Monitoring system.** The regional administrator has the overall responsibility of the organization and the management of the M&E system. The current M&E system does not include a coherent unified database. Overall, there is a lack of awareness of the relevance of an M&E system for management of the project, and limited progress has been made in the systematization of the collection of information on project activities. This is partly due to the fact that due to the delayed project start-up, relevant data has been manageable without an M&E database.

49. First, a database should be created. The mission provided the Regional Administrator with a sample that includes all elements suitable for the Project's activities. It should be inputted with all information relating to project activities, with priority for demonstrations, co-financing activities and civil works.

50. Second, the routines for information flow for maintaining and updating the database should be established. To this end, the regional administrator should establish a close cooperation with all key technical staff in order to ensure that the information needed for the database flows in a continuous and timely manner. Special focus should be placed on the communication with the PDAs, technical staff and the procurement units under MFAL and UNDP. Particularly the involvement of the construction experts in the M&E process is crucial for timely and accurate data collection and reporting.

51. **AWPB and Progress Reports.** During the December IFAD technical support mission tables for AWPB and Progress reporting were developed. The mission recommends that such tables be used in the continuation in all AWPBs and Progress Reports. The mission notes that the current tables representing the financial planning do not include activity specific estimates for government tax and client contributions. For instance, estimates of client contributions for barn construction are not available. The mission recommends that such estimates should be included in the reporting in the future.

52. **Planner.** The mission provided training in the use of an Excel based application that functions as a database for project planning and progress reporting (Planner). The mission reviewed together with relevant MFAL, PMU and UNDP staff the quantitative information available for the progress report, inserted them into the Planner, which will be used as the core database for future planning and progress reporting. A set of sample tables that will satisfy IFAD requirements for purposes of the biannual progress report was generated with the Planner.

53. **RIMS.** In cooperation with the Regional Administrator, the mission specified and updated applicable RIMS and physical progress indicators suitable for the project. These were inputted into the Planner which will form the core for future RIMS reporting. A baseline study for the project was completed end 2011.

Agreed action	Responsibility	Agreed date
Establish database and information flow for maintaining the database.	MFAL/PMU	July 2012
Maintain and update core planning and progress data in the Planner, and use the Planner to generate tables for the biannual Progress Report I/2012 and RIMS reports.	MFAL/PMU/UNDP	July 2012

54. **Gender focus:** Gender issues have not been mainstreamed into project implementation. The figures provided in the Annual Progress Report clearly reveal that gender focus in the activities implemented to date needs improvement; the average participation of women is less than 1%. In view of their significant role in livestock production and horticulture production, specifically targeted training for women would have significant impact on yields and quality of produce. In order to achieve the modest target in the AWPB of 16%, further efforts should be made to increase the participation of women, including i) increase in the number of women in training programs outside the

provinces and specifically targeted training projects for women in the livestock and horticulture subsectors.

**55. Poverty focus and effectiveness of targeting approach.** Based on the Final Design Report, the Baseline Survey and PIM the AKADP's targeting strategy combines a demand-driven modality with geographic targeting, self-targeting in terms of the types of Project benefits available and direct targeting, i.e. application of eligibility criteria. The first forty villages for selected project support are included based criteria both related to poverty both also takes into consideration technical and financial elements such as : (i) number of registered farmers; (ii) number of livestock; (iii) horticultural area; (iv) road quality; (v) readiness to cooperate; and (vi) availability of water, arable and range land. The poverty focus of AKADP is therefore satisfactory also keeping in mind that the targeted provinces and districts are among the most disadvantaged in Turkey where by far the major part of the rural population is poor.

**Table 1. Targeting**

Target Group "category" receiving Project services	Total number of people to be reached by the end of project implementation (Cumulative Appraisal Targets)	Last AWPB Targets (2011)		Number reached to date	
		Total	Of which, women	Total	Of which, women
<i>Individuals</i>	<i>25,000</i>	<i>668</i>	<i>168</i>	<i>141</i>	<i>2</i>
<i>Households</i>	<i>5,100</i>	<i>1,020</i>	<i>-</i>	<i>141</i>	<i>-</i>
<i>Communities / Villages</i>	<i>160</i>	<i>28</i>	<i>-</i>		
<i>Livestock producers trained</i>	<i>630</i>	<i>126</i>	<i>93</i>	<i>89</i>	<i>4</i>
<i>Horticulture producers trained</i>	<i>240</i>	<i>48</i>	<i>8</i>	<i>48</i>	<i>8</i>

**56. Knowledge management.** Knowledge products and learning processes of the AKADP will stem from Annual Stakeholder Review and Planning Workshops, sector studies as required, reporting, monitoring and evaluation, and field experiences with demonstrations, farmer training and co-financing arrangements. Multi-media publication with the assistance of MFAL of this experience gained would be the Project's main contribution to regional and national knowledge. However despite two years lapse of time the project is basically in a start-up phase and knowledge management processes still have to be initiated. However already at this stage the project should document results on farmer training and farmer demonstrations in terms of change in behaviour and investment patterns.

**57. Partnerships.** This is the first supervision mission of AKADP and partnerships still have to have be firmly established at the provincial level. However the project is working in close coordination with PDAs to coordinate rural and agricultural investments in relation to other programmes such as the EU sponsored IPARD programme (large scale investments) and the MFAL funded Rural Investment Support programme (medium scale investments). In the framework of these programmes AKADP plays an important t role in targeting the poorest segment of the rural population with smaller market oriented investments for co-financing and infrastructure. It is recommend that the Project further seek to enhance such coordination and partnerships thereby improving synergies within value chains.

#### **D. Fiduciary Aspects**

58. **Financial management.** The AKADP entered into force 2 July 2010, project completion date is 30 September 2015 and project closing date is 31 March 2016.

59. The mission is satisfied with the financial management organization and structure. As outlined in the UNDP-MFAL Service agreement, UNDP (Ankara office) supports the management of proper accounting and financial reporting system (through ATLAS), ensure the internal control system and support in the planning and budgeting process.

60. All payments recurrent or related to implementation of activities are executed by UNDP after being endorsed by MFAL. The Project Management Unit (PMU), located in Kars and covering also Ardahan and Artvin provinces, does not hold a bank account and does not receive any advances (imprest) on petty cash basis for recurrent costs. The original invoices and supporting documents are sent by post from PMU (Kars) to Ankara (first in MFAL and sub sequentially to UNDP) only the copies are kept at PMU level. It takes approximately up to two weeks to conclude the payment cycle which especially at time of peak of activities is excessive. An effort should be made by all parties to reduce delays in payments by tracking transactions from the PMU to the MFAL to UNDP. This record should be updated regularly by UNDP and shared with the PMU.

61. The ATLAS does not distinguish payments by IFAD loan categories. Such information is therefore generated by UNDP manually using excel. However this system, which is satisfactory, does not provide financial statements. In order to ensure proper reporting the mission suggested the submission to IFAD of annual unaudited financial statement and provided UNDP with an IFAD sample to this effect.

62. In accordance with the Project Loan Agreement, MFAL is fully authorised to operate the Special Account. The Special Account is in US Dollars and held at the Central Bank of Turkey. As of 30 April 2012, the reconciled balance of the SA is USD 278,540.65. As per the Project Loan Agreement, UNDP is fully authorised by the Borrower to use its own official corporate account in USD to receive funds from the Special Account for project operations, Government Contributions. The Project Account (PA) is operated by the UNDP Programme Associate and is held in Garanti Bank. As of 30 April 2012, the balance is USD 953,890.37. Inventory is regularly updated by UNDP.

63. **Disbursement.** Financial spending targets for the AWPB 2012 amounted to an aggregate USD 2.433 million, USD 1.0 million and USD 0.75 million for Component 1 and 2 each, and USD 0.61 million for project management. Expenditure as at 30 April 2012 continues to be low (1% of the planned 2012 expenditure) due to the delay in recruitment of key staff and seasonality of activities. However, activities are expected to pick up in the second half of the year 2012, potentially reaching an overall rate of planned vs actual expenditure of 76%. The main part of expenditure foreseen under components 1 and 2 is under strict time constraints due to the short construction season. Any delays in the preparatory phases as also outlined in the procurement plan, are likely to inflict deferral of the activity to 2013. Therefore, priority should be given to monitor and ensure adherence to timetable of all phases.

64. IFAD disbursement is stagnant at 7.9% with an extremely low co-efficient of 0.21 considering that 33% of the implementation period has elapsed and project completion date will be reached in 46 months

**Table 2. Disbursement**

*ALL NUMBERS IN USD*

IFAD	2010		2011		2012		
	Planned	Actual Exp.	Planned	Actual Exp.	Planned	Actual Exp. (30/4)	Planned Exp. (31/12)
1 Smallholder Investment	-	-	1 376 100.00	50 498.54	750 000.00	-	358 000.00
2 Village Infrastructure	-	-	781 300.00	-	1 071 000.00	-	1 075 000.00
3 Institutional Str. And Proj. Management	85 500.00	-	933 200.00	190 860.88	612 000.00	26 209.56	402 000.00
<b>TOTALS</b>	<b>85 500.00</b>	<b>-</b>	<b>3 090 600.00</b>	<b>241 359.42</b>	<b>2 433 000.00</b>	<b>26 209.56</b>	<b>1 835 000.00</b>
<b>GOV Budget</b>							
2 Village Infrastructure	-	-	42 400.00	-	50 000.00	-	50 000.00
3 Institutional Str. And Proj. Management	10 100.00	-	165 600.00	2 386.87	52 000.00	536.07	-
<b>TOTALS</b>	<b>10 100.00</b>	<b>-</b>	<b>208 000.00</b>	<b>2 386.87</b>	<b>102 000.00</b>	<b>536.07</b>	<b>50 000.00</b>
<b>GOV Taxes</b>							
2 Village Infrastructure	-	-	155 900.00	-	-	-	-
3 Institutional Str. And Proj. Management	5 100.00	-	272 200.00	-	-	-	-
<b>TOTALS</b>	<b>5 100.00</b>	<b>-</b>	<b>428 100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beneficiaries</b>							
1 Smallholder Investment	-	-	605 600.00	-	422 000.00	-	-
2 Village Infrastructure	-	-	42 500.00	-	-	-	-
<b>TOTALS</b>	<b>-</b>	<b>-</b>	<b>648 100.00</b>	<b>-</b>	<b>422 000.00</b>	<b>-</b>	<b>-</b>

65. **Counterpart funds.** Government of Turkey (GoT) counterpart funds are used for activities taxes, for a cumulative amount of USD 3.2 million. Up to date, the GoT contributions spent for the project implementation are USD 748,509.53. The Government funds are transferred to the Project on yearly basis. The mission notes that generally the Government of Turkey always provides the counterpart funds for IFAD financed operations as planned.

66. **Compliance with loan covenants.** The Project is to a large degree in compliance with the covenants of the Financing Agreement.

67. **Procurement.** As a result of the slow start, the cumulative procurement activities carried out since the beginning of the project in 2010 has been minimal and the contract register reports four contracts signed in 2011 (demonstration of Hungarian vetch, alfalfa and sainfoin seed, start-up workshop study visits and purchase of necessary equipment for project management) and no contracts signed in 2012.

68. The Project has three procurement modalities: (i) UNDP managed procurement; (ii) procurement with community participation (PCP); and (iii) PMU managed procurement. The UNDP and PMU procurements follow the UNDP Procurement Guidelines which are compliant with IFAD's Procurement Guidelines. With regard to the procurement undertaken by the project clients - individuals or companies - (PCP) receiving co-financing, the process is reviewed and supervised by the PMU staff, approved by MFAL and UNDP and complies with IFAD Procurement Guidelines.

69. The mission focussed on updating the procurement plan for 2012 with exact deadline of all the procurement activities to be finalised by year-end mainly in relation to the construction of the new barns under the "co-financing investments for livestock" sub component and the construction of the livestock market in Ardahan.

70. The PMU junior procurement officer is new and has begun to develop a database to store all necessary information related to the PCP procurement process, from details related to clients, grant proposals, grant amounts, the procurement process, contracts and payments.

71. **Audit.** The Board of the Treasury Controller submitted the 2010 Audit Report on 15 August 2011 and the auditor's opinion is overall Unqualified. Deloitte has carried out the 2011 audit of the UNDP Statement of Expenditures and the auditor's opinion is overall Unqualified. With respect to SOEs, since there is no expenditure in 2010, the

auditors have not provided any opinion on SOE Expenditures. The audit for 2011 must be submitted to IFAD within 30 of June 2012.

Agreed action	Responsibility	Agreed date
Limit payment delays by tracking transactions from the PMU to the MFAL to UNDP	UNDP	Ongoing
Provide annual financial statements adherent to IFAD sample	UNDP-MFAL	30 June 2012
Finalise the procurement process for the new vehicles	UNDP/PMU/MFAL	March 2013
Monitor procurement plan 2012 and ensure adherence to timetable of all phases	PMU-UNDP-MFAL	immediately
Develop a database to store information related to the PCP procurement process	UNDP/ PMU/MFAL	immediately
Procurement, budget planning and financial management training for the new Regional Administrator and Procurement Officer	UNDP/PMU/MFAL	ongoing
Timely submission to IFAD of the 2011 Audit report	MFAL	By 30 June 2012

### E. Sustainability

72. Factors that will contribute to an effective exit and post-Project sustainability include: (i) a focus on more commercially-oriented agriculture, which if implemented properly will result in sustainable investments; (ii) beneficiary co-financing requirements which will assure commitment and also care with respect to achieving sustainable returns on investments, since such an arrangement provides in-built incentives; (iii) emphasis, as manifested in Project-supported types of investment and associated training on positioning and enabling beneficiaries to profitably engage with existing and emergent markets and further development assistance in the context of a market economy. In terms of institutional sustainability, the Project should gradually seek to support the three Project-participating PDAs to steadily assume the role and responsibilities of the PMU, as is the case under the other IFAD-financed projects in Turkey and to some extent already have started in Artvin. In order to achieve and ensure financial sustainability of co-financed investments these shall always be accompanied by a technical and financial analysis. All investments in major infrastructure projects such as the livestock market in Ardahan are based on technical/financial/institutional analysis. In this particular case, the Ardahan municipality will manage the facility based on a fee per animal traded.

### F. Impact

73. The impact of the project at this stage of implementation remains limited to training activities. Particularly study visits to the SEDP and Sutas have had tangible impact on the target group's awareness of the opportunities offered by the project. However, due to the delays in overall implementation and the limited amount of activities underway, the impact of other than training activities is not yet visible and needs to be monitored and evaluated throughout the implementation year.

### G. Conclusion

74. As noted above project implementation is lagging behind schedule however the instruments in terms of a Baseline Survey, a Project Implementation and Co-Financing Manuals and procedures for generating a good quality AWPB necessary to achieve progress are in place. Abundant Investment opportunities exist in the project area in terms of co-financing of livestock and horticultural production as well as strategic and social infrastructure projects. In order to match these elements a more proactive and hands on management process in terms of communication, planning and execution needs to be initiated by responsible entities. Priority actions for the seven months and beyond for project management and for the two components are outlined in detail above. In summary this concerns, (i) recruitment of staff and consultants for the PMU;

(ii) a more in depth engagement of MFAL at the province level especially the next few months; (iii) an improved engagement of PDAs in Kars and Ardahan in project activities; (iv) a heavy emphasis on training activities; (v) identification of civil works investments and strict adherence to time schedules for the Ardahan livestock market; and (vi) improved reporting and documentation. The AKADP is at a crossing point however if the recommendations are implemented as agreed AKADP will be on a satisfactory track for the remaining part of 2012 and well positioned for a serious leap forward in 2013.





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## 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	23-May-2012					Financing terms	O
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	0	No. of Implementation Support/Follow-up missions	1				
Last Supervision		Last Implementation Support/Follow-up mission	07-Dec-2011				

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	8
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	
				Cofinancing Total		

### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	4	4
2. Acceptable disbursement rate	4	2	2. Performance of M&E	3	3
3. Counterpart funds	4	4	3. Coherence between AWPB & implementation	4	3
4. Compliance with loan covenants	4	4	4. Gender focus	4	3
5. Compliance with procurement	3	4	5. Poverty focus	5	5
6. Quality and timeliness of audits	3	4	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning	4	4

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	3
2. Village Infrastructure Investments	3	3	2. Empowerment	3	3
3. Institutional Strengthening and Project Management	3	3	3. Quality of beneficiary participation	3	3
			4. Responsiveness of service providers	3	3
			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 is behind schedule. The delay is mainly caused by difficulties in recruitment of key staff, due to which no significant activities could be undertaken during the first full implementation year 2011. Only limited progress can be seen in the field.

## Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	3	3
C.2 Food security	3	3
C.3 Overall <b>implementation progress</b> (Sections B1 and B2)	3	3
<p>Rationale for implementation progress rating</p> <p>The AKADP entered into force in July 2010. Cumulative expenditure is as of yet relatively low, amounting to less than USD 100 thousand by end 2011, which is due to seasonality of activities. Further, disbursement is seriously delayed due to difficulties in recruitment and retaining key staff in the remote project region. Targeting of the project's activities have been in accordance with project design and AWPB.</p>		
C.4 Likelihood of achieving the development objectives (section B3 and B4)	3	3
<p>Rationale for development objectives rating</p> <p>Due to the delayed recruitment of key staff, the technical implementation of planned project activities has suffered. An additional difficulty is imposed by the short construction season, which implies tight constraints for the planning of activities and management of procurement processes. Activities implemented so far comprise mainly demonstrations of Hungarian vetch, alfalfa and sainfoin seed (12 da in 12 villages each); a start-up workshop, study visits and purchase of necessary equipment for Project management. However, the operational project approach is sound and with the proper addressing of the staffing issues and with appropriate training given, the development objectives of the project can be achieved.</p>		
<p><b>C.5 Risks</b> Short description of major risks for each section and their impact on achievement of development objectives and sustainability</p>		
<p>Fiduciary aspects Procedures related to financial management, audit and submission of counterpart funds are acceptable.</p>		
<p>Project implementation progress Due to delays in implementation, progress has been limited to the trainings and demonstrations undertaken under the Smallholder and non-farm enterprise investments component. Under the Village Infrastructure component a livestock market is in the final planning stages, and initial stages of construction are expected to be undertaken still during construction season 2012.</p>		
<p>Outputs and outcomes So far, due to delays in implementation, benefits have been limited to the trainings and demonstrations undertaken under the Smallholder and non-farm enterprise investments component.</p>		
<p>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.</p>		

## Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Early implementation delay	Some key recruitments, notably recruitment of agricultural economist has been unsuccessful despite several started recruitment processes. The recruitment should be replaced by procurement of a retainer consultancy to assist in project implementation.	September 2012	Pending
Strategic infrastructure investments	Key strategic infrastructure investments should be identified and planned without delay in order to comply with appraisal targets; due to short construction season in the region the planning is impending. Consider possible fielding of technical support mission to follow-up on identification of infrastructure investments.	September 2012	Pending

## **Appendix 2: Progress Against Previous Mission Recommendations**

N/A. The relevant mission is the first supervision mission for the AKADP.



### Appendix 3: Financial: Actual Financial Performance by Financier; by Component and Disbursements by Category

**Table 1: Financial Performance by Financier by 30 April 2012**

Financier	Approved (US\$ '000)	Current (US\$ '000)	Disbursement (USD '000)	Per cent disbursed
IFAD loan	19 200.0	19 200.0	1 500.0	7.81%
Gov. Budget	1 114.1	1 114.1	-	0.00%
Gov. Taxes	2 107.1	2 107.1	-	0.00%
Beneficiaries	3 993.7	3 993.7	-	0.00%
Total	26 414.9	26 414.9	1 500.0	6%

**Table 2: Financial performance by financier by component by 30 April 2012 (USD '000)**

Component	IFAD loan			Gov Budget			Gov. Taxes			Beneficiaries			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
Smallholder Investments	7 666.7	50.5	1	0	0	0	0	0	0	3568.8	0		11 235	50.5	0.45
Village Infrastructure Investments	8 151.8		0	211.9	0	0	1581.4	0	0	424.9	0		10 370		0
Institutional Strengthening and Project management	3 381.5	217.07	6	902.2	2.9	0	525.7	0	0	0	0		4 809.4	220	4.75
Total	19 200.0	267.6	1	1 114.1	2.9	0	2 107.1	0	0	3993.7	0		26 414.9	270.5	1.02

**Table 3: IFAD Loan Disbursements by 30 April 2012**

	Category Description	Original Allocation	Current Allocation	Disbursement	Balance	Per cent disbursed	W/A Pending
	Designated Account			965 030			
I	Civil Works	5 130 000	5 130 000	0	5 130 000	0%	
II	Vehicles, Equipment and Goods	330 000	330 000	0	330 000	0%	
III	Technical Assistance, Training and Workshop	1 470 000	1 470 000	0	1 470 000	0%	
IV	Co-financing of Investments	3 370 000	3 370 000	0	3 370 000	0%	
V	Agricultural Inputs	940 000	940 000	0	940 000	0%	
VI	Recurrent Costs	800 000	800 000	0	800 000	0%	
	Unallocated	40 000	40 000	0	40 000	0%	
	Total	12 080 000	12 080 000	965 030	12 080 000	8%	0



#### Appendix 4: Compliance with Financing Agreement Covenants: Status of Implementation

Section	Covenant	Target/Action Due Date	Compliance Status/ Date	Remarks
<b>Section B 2</b>	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.	
<b>Schedule 1 Section 7</b>	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.	
<b>GC 4.02 (b)</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.	
<b>GC Section 4.04 (d)</b>	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	N/A	N/A	At the time of the supervision the Borrower had not submitted withdrawal applications. The advance amount is established as USD 1.5 million.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	an account designated for that purpose in a bank acceptable to the Fund.			
<b>GC 4.08 (a)</b>	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.	
<b>GC 7.01 (b) (ii)</b>	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 2012 AWPB should have been submitted to the Fund no later than 1 December 2011. The AWPB was approved by the Fund in February 2012.
<b>GC 8.03</b>	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.	
<b>GC 9.02</b>	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	IFAD has provided a sample of financial statement to ensure the submission of the report in compliance with IFAD standards.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>GC 9.03</b>	<p>The Borrower shall:</p> <p>(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;</p> <p>(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.</p>	Audit report provided to IFAD by 30 June annually.	Partially complied with	The 2010 Audit Report should have been submitted to the Fund no later than 30 June 2011. The Audit Report was submitted to the Fund in August 2011.
<b>GC 11.01</b>	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 5: Physical Progress Measured against AWP&B and Appraisal Targets, Impact and Outcome Level

Period: 01-01-2012 to 30-05-2012				
Impact and Outcomes	Indicators (with global target if available)	Achievements (as per M&E data)	RIMS Rating	
			(by Project)	(by supervision mission)
Impact level				
Overall Goal <i>Reduce rural poverty in the provinces of Ardahan, Kars and Artvin</i>	<ul style="list-style-type: none"><li>Reduction of % of rural people living with less than USD 4.30/day</li><li>Increase in rural household income</li><li>Increase in household assets ownership</li></ul>	Can not be assessed yet		
Outcome level				
Component 1 <i>Increase poor smallholder assets and incomes in participating provinces by improving animal husbandry and horticulture production</i>	2.2.2 Effectiveness of Improved agricultural and livestock production  2.2.3 Likelihood of sustainability of the agri/ livestock production groups (units) formed and/or strengthened  2.3.2 Effectiveness of Improved access of the poor to financial services (co-financing)	Can not be assessed yet		

<p><i>Component 2</i>  <i>Improving poor people access to rural infrastructure in participating villages</i></p>	<p>2.1.1 Likelihood of sustainability of the groups managing infrastructure formed and/or strengthened</p> <p>2.1.2 Effectiveness of Productive Infrastructure</p> <p>2.1.3 Likelihood of sustainability of Prod. Infra.</p> <p>2.4.2 Likelihood of sustainability of Roads</p> <p>2.4.3 Likelihood of sustainability of Market facilities</p> <p>2.7.1 Effectiveness of Social infrastructure</p> <p>2.7.2 Likelihood of sustainability of Soc. Infra.</p> <p>2.7.3 Likelihood of sustainability of the groups managing Soc.Infra. formed and/or strengthened</p>	<p>Cannot be assessed yet</p>		
<p><i>Component 3</i>  <i>Institutional strengthening at PDA level</i></p>	<p>2.2.1 Effectiveness: Improved performance of service providers (PDAs)</p>	<p>Cannot be assessed yet</p>		

## Appendix 6: RIMS Tables and Physical Progress, First Level Results

	Unit	AWPB			Cumulative			Sum of actuals of previous years
		AWPB	Actual	% of AWPB	Appraisal	Actual	% of Appraisal	
Total outreach								
People receiving project services	Total	12 513	-	0%	67 200	162	0%	162
People receiving project services	Male	6 338	-	0%	33 800	147	0%	147
People receiving project services	Female	6 175	-	0%	33 400	15	0%	15
Component 1 Smallholder and Non Farm Investments								
People receiving Project services	Total	767	-	0%	2 170	141	6%	141
People receiving Project services	Male	460	-	0%	1 533	129	8%	129
People receiving Project services	Female	308	-	0%	637	12	2%	12
Component 1.1 Improving Livestock and Husbandry Practices								
People receiving Project services	Total	382	-	0%	1 990	93	5%	93
People receiving Project services	Male	235	-	0%	1 371	89	6%	89
People receiving Project services	Female	148	-	0%	619	4	1%	4
Modern barns constructed/rehabilitated	#	28	-	0%	210	-	0%	-
Modern barns constructed/rehabilitated	HH	28	-	0%	210	-	0%	-
*Households receiving animal health services, inputs and equipment (milking machine, baling machin, other)	#	21	-	0%	-	-	0%	-
*Households receiving animal health services, inputs and equipment (milking machine, baling machin, other)	HH	21	-	0%	-	-	0%	-
*People trained in livestock production and technologies	Male	-	-	0%	657	89	14%	89
*People trained in livestock production and technologies	Female	-	-	0%	73	4	5%	4
*People trained in livestock production and technologies (demonstrations)	#	3	-	0%	-	-	0%	-
*People trained in livestock production and technologies (demonstrations)	Male	87	-	0%	-	-	0%	-
*People trained in business and entrepreneurship	Male	-	-	0%	189	-	0%	-
*People trained in business and entrepreneurship	Female	-	-	0%	21	-	0%	-

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Appendix 6: RIMS Tables and Physical Progress, First Level Results

<b>Component 1.2 Improving Horticultural Practices</b>								
People receiving Project services	Total	385	-	0%	180	48	27%	48
People receiving Project services	Male	225	-	0%	162	40	25%	40
People receiving Project services	Female	160	-	0%	18	8	44%	8
*People trained in crop production and technologies	#	3	-	0%	-	-	0%	-
*People trained in crop production and technologies	Male	75	-	0%	162	40	25%	40
*People trained in crop production and technologies	Female	10	-	0%	18	8	44%	8
*People trained in crop production and technologies (demonstrations)	#	48	-	0%	-	-	0%	-
*People trained in crop production and technologies (demonstrations)	HH	60	-	0%	-	-	0%	-
<b>Component 2 Village Infrastructure</b>								
People receiving Project services	Total	16 200	-	0%	40 250	-	0%	-
People receiving Project services	Male	8 100	-	0%	20 125	-	0%	-
People receiving Project services	Female	8 100	-	0%	20 125	-	0%	-
*Market, storage, processing facilities constructed and/or rehabilitated	#	1	-	0%	2	-	0%	-
*Other infrastructure (sanitation facilities)	#	-	-	0%	6	-	0%	-
*Other infrastructure (sanitation facilities)	HH	-	-	0%	420	-	0%	-
*Livestock water points constructed/rehabilitated (ponds/piped systems)	#	-	-	0%	30	-	0%	-
*Livestock water points constructed/rehabilitated (ponds/piped systems)	HH	-	-	0%	2 100	-	0%	-
*Livestock water points constructed/rehabilitated (trough sets)	#	15	-	0%	60	-	0%	-
*Livestock water points constructed/rehabilitated (trough sets)	HH	2 345	-	0%	4 200	-	0%	-
*Land under irrigation schemes constructed/rehabilitated	#	-	-	0%	9	-	0%	-
*Land under irrigation schemes constructed/rehabilitated	HH	-	-	0%	630	-	0%	-
*Land under irrigation schemes constructed/rehabilitated	ha	-	-	0%	450	-	0%	-
*Roads constructed/rehabilitated	#	7	-	0%	10	-	0%	-
*Roads constructed/rehabilitated	HH	895	-	0%	700	-	0%	-
*Roads constructed/rehabilitated	km	54	-	0%	50	-	0%	-



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Appendix 6: RIMS Tables and Physical Progress, First Level Results

<b>Component 3 Institutional Strengthening and Project Management</b>								
People receiving Project services	Total	72	-	0%	30	21	70%	21
People receiving Project services	Male	55	-	0%	24	18	75%	18
People receiving Project services	Female	17	-	0%	6	3	50%	3
<b>Component 3.1 Awareness Raising on Employment</b>								
People receiving Project services	Total	72	-	0%	30	21	70%	21
People receiving Project services	Male	55	-	0%	24	18	75%	18
People receiving Project services	Female	17	-	0%	6	3	50%	3
*Government officials and staff trained	#	4	-	0%	-	-	0%	-
*Government officials and staff trained	Male	55	-	0%	24	18	75%	18
*Government officials and staff trained	Female	17	-	0%	6	3	50%	3



## **Appendix 7: Audit Log**

The Board of the Treasury Controller submitted the 2010 Audit Report on 15 August 2011 and the auditor's opinion is overall Unqualified. With respect to SOEs, since there is no expenditure in 2010, the auditors have not provided any opinion on SOE Expenditures.

### **Summary Audit Table**

#### ***Audit 2010 to 2012***

<b>Financial Year</b>	<b>Audit Observations as per Audit Report</b>		<b>Audit Observations Settled</b>		<b>Audit Observations Outstanding</b>	
	<b>Numbers</b>	<b>Value (BDT)</b>	<b>Numbers</b>	<b>Value (BDT)</b>	<b>Numbers</b>	<b>Value (BDT)</b>
<b>2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total :</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## Appendix 8: Supervision Mission Schedule and Persons Met

27 May	Arrival in Kars (Pedersen, Kauttu, Okan)
28 May	Meeting with the relevant staff of the AKADP, MFAL and UNDP
28 May-1 June	Field work in Kars, Ardahan and Artvin
31 May	Arrival In Kars (Mancini, Pirazzoli)/Departure to Ankara (Pedersen, Okan)
2 June	Departure to Ankara (Mancini, Kauttu)
3 June	Departure to Ankara (Pirazzoli)
6 June	Departure (Mancini)
7 June	Wrap-up meeting
8 June	Departure (Pedersen, Kauttu, Pirazzoli)

### PERSONS MET

Name	Agency and position
<b>Ministry of Food, Agriculture and Livestock</b>	
Dr. Gürsel Küsek	General Director, General Directorate of Agrarian Reform (GDAR)
A. Zahit Erkan	Head, Rural Development Department (RDD), GDAR
Dr. Şule Özevren	Leader, Working Group for Externally Financed Projects, RDD , GDAR
Nejat Aydın	Staff, Working Group for Externally Financed Projects, RDD , GDAR
Hürriyet Keçeli	Staff, Working Group for Externally Financed Projects, RDD , GDAR
Ayşegül Gök	Staff, Working Group for Externally Financed Projects, RDD , GDAR
<b>UNDP</b>	
Murat Gursoy	Programme Specialist and Coordinator, UNDP
Arif Mert Öztürk	Project Administrator, UNDP
Güray Balaban	Consultant, Civil Engineer, UNDP
<b>Undersecretariat of Treasury</b>	
Ali Çevik	Head of Department, Prime Ministry, the Undersecretariat of Treasury
<b>Kars</b>	
Sertaç Turhal	Regional Project Coordinator
Dilek Karadağ	Procurement and Finance Officer
Yusuf Yurdalan	Director, Kars PDA
Şeref Çakır	Deputy Director, Kars PDA
Şerife Şimşek	Staff, Kars PDA
Yaşar İnce	Staff, Kars PDA
Adem Büyükhana	Staff, Kars PDA
Evren Gülpınar	Staff, Kars PDA
Ali Yalçın	Director, Sarıkamış DDA
Bekir Çapan	Director, Kağızman DDA
Gültekin Şekerci	Director, Selim PDA
Erdem Büyükhana	Staff, Selim DDA
Hacer Öner	Staff, Selim DDA
Ertunç Yardımcı	Field Engineer (selected candidate)
Fevzi Karakoç	Director, Kars PDA
Hakan Erdoğan	Staff, Ardahan PDA
Faruk Köksoy	Mayor, Ardahan Municipality
<b>Artvin</b>	
Elfaz Ermiş	Director, Artvin PDA
Hakan Keskin	Deputy Director, Artvin PDA
Kılıçhan Gümüş	Staff, Artvin PDA
Hüseyin Eraslan	Staff, Artvin PDA
Fatih Duzcan	Staff, Artvin PDA
Sercan Gümüş	Staff, Artvin PDA
Adnan Bilgi	Staff, Ardahan DDA



## **Appendix 9: Summary of Implementation Support Provided by IFAD**

An IFAD implementation support mission<sup>2</sup> visited Turkey from 27 November to 7 December to extend support to the AKADP. The mission:

- assessed overall progress in the implementation of the Project and the capacity of the PAUs;
- assisted in drafting the first AWPB for implementation year 2012 including a Procurement Plan;
- assisted in drafting the Progress Report for implementation year 2011;
- provided overall guidance and clarifications to the PAUs on implementation arrangements and responsibilities, procurement procedures and forms of contract to be used for investments in small scale infrastructure.

The mission main findings are recorded in an Aide Memoire discussed at a Wrap Up meeting at MFAL on 6 December. The AM includes a detailed timeline for the implementation of key project activities.

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<sup>2</sup> The mission consisted of Mr. Mikael Kauttu, Associate Country Programme Manager, IFAD and Mr. Michele Pirazzoli, Infrastructure Specialist. A team from MFAL led by Ms. Sule Özevren (General Directorate of Agrarian Reform, Department of Rural Development, MFAL) and a team from the UNDP Country Office participated in the Mission.