

Turkey

Uplands Rural Development Programme

Partial Supervision Report

Main report and appendices

Mission Dates: 3-6 December 2019

Document Date 11/02/2020

Project No. 2000001409

Report No. 5355-TR

Near East, North Africa and Europe Division
Programme Management Department

Abbreviations and Acronyms

A. Project Overview

Region:	Near East, North Africa and Europe Division	Project at Risk Status:	Not at risk
Country:	Turkey	Environmental and Social Category:	B
Project Name:	Uplands Rural Development Programme	Climate Risk	2
Project ID:	2000001409	Classification:	
Project Type:	Storage, processing and marketing	Executing Institution:	Ministry of Food, Agriculture and Livestock
CPM:	Bernard Hien	Implementing Institutions:	Kredi Garanti Fonu
Project Director:	not available yet		
Project Area:	Two regions in a total of six provinces: The Eastern Mediterranean (Adana, Mersin, Osmaniye) and Western Black Sea (Bartın, Kastamonu, Sinop)		

Approval Date:	11/12/2017	Last audit receipt:	02/05/2019
Signing Date:	26/12/2017	Date of Last SIS Mission:	06/12/2019
Entry into Force Date:	05/03/2018	Number of SIS Missions:	2
Available for Disbursement Date:	not available yet	Number of extensions:	0
First Disbursement Date:	15/05/2019	Effectiveness lag:	3 months
MTR Date:	not available yet		
Original Completion Date:	31/03/2023		
Current Completion Date:	31/03/2023		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$21,000,000
	Near East, North Africa and Europe Division	\$1,048,470
	IFAD: AFD loan	\$40,907,764
Domestic Financing breakdown	National Government	\$18,273,450
	Kredi Garanti Fonu	\$2,909,500
	Beneficiaries	\$12,731,970
Co-financing breakdown,	To be determined	\$0
Project total financing:		\$96,871,154

Current Mission

Mission Dates:	3-6 December 2019
Days in the field:	4 days
Mission composition:	Mr Swandip Sinha, Technical Lead; Mr. Taylan Kiymaz, Country Programme Officer for Turkey; Mr. Karim Sissoko, Programme Officer; and Ms Alaa Abdelkarim, Regional Finance Officer, NEN.
Field sites visited:	

B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4	Assessment of the Overall Implementation Performance		4

Effectiveness and Developmental Focus	Project Management	3
Effectiveness	Quality of Project Management	3
Targeting and Outreach	Knowledge Management	
Gender equality & women's participation	Value for Money	
Agricultural Productivity	Coherence between AWPB and Implementation	
Nutrition	Performance of M&E System	3
Adaptation to Climate Change	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	

Sustainability and Scaling-up	Financial Management and Execution	3
Institutions and Policy Engagement	Acceptable Disbursement Rate	1
Partnership-building	Quality of Financial Management	3
Human and Social Capital and Empowerment	Quality and Timeliness of Audit	
Quality of Beneficiary Participation	Counterparts Funds	4
Responsiveness of Service Providers	Compliance with Loan Covenants	
Environment and Natural Resource Management	Procurement	
Exit Strategy		
Potential for Scaling-up		

Relevance

C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

URDP's goal is to enhance the prosperity and resilience of upland smallholder farmers through an economic clustering approach. The programme has two components (i) clustering for resilient rural transformation and (ii) Inclusive rural finance. The URDP will be implemented over an 8-year period, in two phases and will reach 30,000 households during the first phase. The programme area spreads across two regions (Eastern Mediterranean and Western Black Sea), six provinces (Adana, Mersin, Osmaniye, Bartın, Kastamonu, Sinop) and 35 districts. The programme targets economically active poor households with monthly income below TRY 2,000, economically active poor with 'upside potential' typically owning 1 ha of farm land and transformation drivers (suppliers, traders or agri-enterprises). URDP phase 1 is financed by an IFAD loan of EUR 35.2 million. The PDR structured the programme implementation through a Central Project Management Unit (CPMU) in Ankara, supported by two Regional Programme Management Units (RPMU) in Adana and Kastamonu and six Provincial Project Management Unit (PPMU) in the six provinces and with three Farmers Support Teams (FSTs) based in each PPMU.

Mission details: IFAD and the Government of Turkey jointly launched the URDP on 6 March 2019. However, eight months following the official launch, the programme is yet to start disbursing as the prerequisites for starting disbursements have not been met. These prerequisites are the preparation of the AWPB and procurement plan, preparation of the PIM, establishment of the financial management system and recruitment of key staff members and signing of the MOU with KGF. An IFAD Mission carried out a partial supervision of URDP from 3-6 December 2019. The mission's objectives were to assess the overall progress made and difficulties encountered since the launch of the programme, assess the status of meeting of the prerequisites to start disbursements and determine how bottlenecks delaying implementation could be remedied.

The mission worked with the Survey and Projects Department (SPD) in the Ministry of Agriculture and Forestry (MoAF). Since no activities were implemented and no key staff recruited field visits were not undertaken. The Head of the newly established Survey and Projects (SPD) Department presented a detailed rollout plan for the implementation of the project activities which was followed by detailed discussions and agreed actions.

Key Mission Agreements and Conclusions

URDP has faced delays from the onset until the current mission, hampered by government institutional reforms, budget limitations, and inadequate staffing. Therefore, there is no disbursement other than EUR 390,000 provided for start-up costs. The programme is behind targets since the start up workshop in March 2019.

Just after the official launch in March 2019, the CPMU had actively started to put in place the implementation structure. The RPMUs and PPMUs were setup, the Project Implementation Manual (PIM) was finalised and the first AWPB was drafted. The CPMU also started developing the financial management and M&E systems and forming the multi-stakeholder platforms (MSPs) in the provinces. Additionally, the CPMU negotiated a MoU with the Kredi Garanti Fonu (KGF).

Unfortunately, this momentum was interrupted as result of factors including the internal restructuring undertaken in MoAF and the budget limitation policy implemented by the Government as a part of the measures to contain the economic crisis. The procedures for finalizing the AWPB, the financial management system, the M&E system, key staff recruitment and ratifying the MoU with KGF came to a halt.

The following priority actions were discussed and agreed with SPD:

Finalize and get IFAD approval on the 2020 AWPB, SPD 15 February 2020;

- Set up an acceptable financial management system and appropriate accounting software, SPD, 29 February 2020;
- Set up an M&E system acceptable to IFAD, SPD 31 March 2020;
- Finalize the recruitment of key staff and service-contract with UNDP by 29 February 2020;
- Finalize the MoU with KGF by 31 March 2020.

The 2020 implementation support and supervision missions for URDP are scheduled to take place from 23 – 31 March and from 23 November - 04 December, respectively. The Programme is at a crossing point, but if the recommendations aided by quick decision-making are implemented as agreed with the mission, it is likely to get back on track.

D. Overview and Project Progress

Component 1 - Development of Upland Economic Development Clusters

Component 1 is aimed at economic clustering to address localised challenges which constrain production and marketing of the key commodities grown in the upland regions. This component is designed to support the establishment of Multi-

Stakeholder Platforms in the economic clusters, develop economic infrastructure to support cluster development; develop farmers skills and farmers organization; undertake Individual investment in productive infrastructure and support regional branding and geographical indication.

Multi-stakeholder platforms (MSPs): MSPs have been established with representatives from all main actors of the selected value chains, including producers, brokers, traders, processors, input suppliers, transporters and retailers. MSPs are expected to identify the constraints and potential opportunities for clustering and value addition. In Adana, Mersin and Osmaniye, a total of 22 MSPs have been formed, one in each of the 22 planned Economic Development Clusters (EDCs). A total of 13 EDCs are planned in Phase I. A total of 3 MSPs are formed in Western Black Sea region, one each in Kastamonu, Sinop and Bartın provinces. In Kastamonu a Rural Development Platform has already been present since late 2014. In each of these provinces 3 EDCs are planned in Phase I. Youth and women representation has received special focus in MSP formation. MSPs have started holding meetings in all the provinces and have identified the activities to be supported in each EDC including infrastructural investments required in the EDCs. These activities have been reflected in the finalised Strategic Investment Plans and implementation of these activities will commence after the first disbursement from IFAD.

Strategic Investment Plans (SIPs): The SPD accelerated the development of the SIPs since August 2019 and 22 SIPs were completed by mid-November. The staff members in the PPMUs, guided by the SPD, developed the SIPs internally without any support from external consultants. Each SIP has identified the economic development investments required from URDP for the economic development of the cluster. An EDC encompasses a relatively large geographical area sometimes spread over several districts. The SPD will reflect the SIP investment needs (for the first year) in the 2020 AWPB. The implementation of these SIP activities will commence as soon as IFAD disbursement is received. Thus, the new management's thrust on completing the SIPs prior to the preparation of the AWPB 2020 has developed the readiness to start programme implementation rapidly across all the provinces in a systematic manner guided by the SIPs.

Component 2. Inclusive Rural Finance

This component intends to promote financial inclusion in the targeted areas. It intends to setup a credit guarantee scheme that will reduce collateral requirements for new investment loans and a rural finance support facility that will improve the bankability of new investment loan proposals and strengthen the ability of the poorest segments to graduate as business people who can undertake profitable rural initiatives. This component is expected to address the core challenge of prohibitively high collateral requirements from banks and other financial institutions.

URDP had engaged in discussions with the Kredi Garanti Fonu (KGF) which is specialized in providing rural credit guarantee facility that will reduce collateral requirements for new investment loans. A Memorandum of Understanding (MoU) between URDP and KGF was successfully negotiated in which KGF has committed Euro 2.5 million as credit guarantee facility for URDP beneficiaries. However, the MoU was never ratified due to the long restructuring process in the MoAF. With the establishment of the SPD the follow up with KGF has intensified and the SPD plans to sign an MoU with KGF in early 2020. The mission recommends signing this agreement promptly so that the credit facilitation mechanism is active.

Agreed Action	Responsibility	Agreed Date
Finalise and get IFAD approval on AWPB 2020	SPD	02/2020
Contract UNDP for project implementation	SPD	02/2020
Sign MoU with KGF Sign the MOU with KGF as it is a condition for first disbursement.	SPD	02/2020
Advocate for increase in programme budget with Government	SPD and IFAD	02/2020
Finalise the setup of M&E system and recruit an M&E Officer	SPD	02/2020
Finalise the setup of the financial management system and an accounting software acceptable to IFAD	SPD	03/2020
Organise programme orientation workshop	SPD and IFAD	03/2020
Finalize the recruitment of key staff as per LTB	SPD	03/2020

E. Agreed Actions

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Finalise and get IFAD approval on AWPB 2020	SPD	02/2020
Contract UNDP for project implementation	SPD	02/2020
Sign MoU with KGF Sign the MOU with KGF as it is a condition for first disbursement.	SPD	02/2020
Advocate for increase in programme budget with Government	SPD and IFAD	02/2020
Finalise the setup of M&E system and recruit an M&E Officer	SPD	02/2020
Finalise the setup of the financial management system and an accounting software acceptable to IFAD	SPD	03/2020
Organise programme orientation workshop	SPD and IFAD	03/2020
Finalize the recruitment of key staff as per LTB	SPD	03/2020
Project Management		

Diligent the recruitment, setting up of FM system, AWPB and signing of the MoU with KGF, to permit 1st disbursement for kicking off activities on the ground Status of AWPB preparation: The SPD has planned a URDP planning workshop from 12-13 December 2019. One of the objectives of the workshop is to prepare the URDP AWPB 2020. The workshop is expected to deliver the AWPB with a clear schedule of implementation including timeline for completing recruitment of key staff including the M&E Officer, and calendar for follow-up meetings. The mission recommends that SPD should finalise the AWPBs and submit it to IFAD with the target to get IFAD approval by the end of February 2020.	SPD in coordination with PMUs	02/2020
Setting up of a Monitoring & Evaluation system (M&E) acceptable to IFAD, and recruiting an M&E Officer	SPD	03/2020
Advocate sufficient budgetary allocation for the programme through increased visibility, consultations with high level delegation and other measures	IFAD Country Team and GDAR	12/2020
Financial Management & Execution		
Reinforce the Finance Team Recruit an experienced financial management specialist and an experienced accountant and set up an effective fiduciary team in the SPD in line with requirements of the Financing Agreement – relevant training will be provided by IFAD afterward	SPD-MoAF	02/2020
Finalize implementation of the new portal The new portal should allow proper tracking of payments and to be used as project monitoring tool. It should allow the outputting of required reports, and the automatic preparation of WAs. Alternatively, prospect the procurement and setting up of dedicated FM software (TOMPRO...) at the ministry	SPD-MoAF	02/2020