

**Government of TURKEY**

**United Nations Development Programme**

**Executing Agency:  
General Directorate of Agricultural Production and Development  
Ministry of Agriculture and Rural Affairs**

**Ministry of Agriculture and Rural Affairs and UNDP  
Diyarbakir Batman Siirt Development Project (DBSDP)**

**Brief Description:**

The project is designed in line with the Loan Agreement entitled "*Diyarbakir Batman Siirt Development Project*" signed on 5<sup>th</sup> March, 2007 between the Government of Turkey and the International Fund for Agricultural Development (IFAD); and in line with the Appraisal Report and working tables. The role of UNDP as a co-financier and main partner is incorporated in detail in the relevant sections of the Appraisal Report and the signed Loan Agreement with the Government of Turkey. Such an arrangement will serve as the overall guidance and legal framework for the involvement of UNDP in the "*Diyarbakir Batman Siirt Development Project*". This Project Document serves in lieu of the "UNDP Service Agreement" as referred to in the Loan Agreement.

The UNDP will work towards achieving project objectives to improve the economic and social status of rural people in the provinces of Diyarbakir, Batman and Siirt. UNDP's added value as a main partner is based on both upstream policy-oriented advise and technical and field level experience, which enables UNDP to provide operational capacity and knowledge-building in the areas of technical assistance, implementation, and fostering dialogue with the Government on Turkey's rural development agenda. UNDP's primary roles in joint implementation are in the areas of (i) completing the recruitment process of the Project Management Unit's staff and national/international consultants and contract administration; (ii) securing flow of funds and financial management; (iii) ensuring procurement of goods, services, and works at the field level according to the guidelines; and (iv) providing technical assistance to commission studies and surveys. UNDP will also assist in the preparation of the Annual Work Plan and Budget and monitor progress of the project activities at the field.

Importantly, UNDP will provide strategic development policy advice to the Ministry of Agriculture and Rural Affairs based on best practices and lessons learned during the implementation at the field level; in line with priorities established in the Government's National Rural Development Strategy (NRDS).

As an international development organization UNDP's support will be provided based on the underlying principles and objectives of building institutional capacity and supporting national ownership with a view towards ensuring sustainable improvements in the livelihoods of rural communities.

## PART I: SITUATION ANALYSIS AND NATIONAL FRAMEWORK

### I.A.1. Problem to be addressed

1. Turkey is categorized as a middle-income country. Its development status is middle ranking, with the UNDP Human Development Report 2006 placing Turkey at 92 among 177 reported countries. Based on 2002 data, 27% of the Turkish population was assessed<sup>1</sup> as living below the national poverty line (at Purchasing Power Parity exchange rates) with 9.2% having incomes of below USD 2.15 per day and 38.9% incomes below USD 4.30 per day<sup>2</sup>. Urban/rural differentials are less than might be expected, mainly due to the high levels of migration among poor rural households that have swollen the numbers of urban poor. The overall poverty rate in urban households is 22% compared with 35% in rural households, but income and consumption inequalities are only slightly higher in urban areas, with comparative Gini coefficients for income at 0.44 (urban) and 0.42 (rural). Poverty rates are higher among self-employed and unpaid family workers, particularly among those dependent upon small-scale family farms or livestock holdings.
2. While generalizations concerning rural poverty should be treated with caution, certain common characteristics include: large family size; small landholdings; overgrazing in rangelands and soil erosion in deforested areas; and limited infrastructure in remote locations. According to the 2001 Agricultural Census, around 90% of farms were owner-occupied and the remaining 10% held by tenants and sharecroppers. Two-thirds of all holdings were of less than 5 ha and it is generally accepted that there has been no subsequent significant shift in farm size, largely due to the complexities of the land tenure system and the principle of the division of inheritance.
3. The average per capita GDP of the eight poorest provinces, all located in the east or south-east of the country, is less than 30% of the national average. The classification system used by Turkey's State Planning Organisation (SPO) places Diyarbakir, Batman and Siirt at 63rd, 70th and 73rd respectively out of Turkey's 81 provinces. This means that Diyarbakir is at the bottom of Category 4 (Underdeveloped) in the SPO system and Batman and Siirt fall into Category 5 (Severely Underdeveloped), which is the lowest category. Provinces in Categories 4 and 5 are designated by the SPO as priority areas for development assistance given their high degree of economic and social disadvantage. The United Nations Development Programme's 'Human Development Report' for 2004 gives a Human Development Index (HDI) Ranking for Diyarbakir, Batman and Siirt that places them 63rd, 70th and 72nd respectively out of Turkey's 81 provinces.
4. All the socio-economic factors that are positively correlated with poverty in Turkey as a whole are highest in the eastern and southeastern regions. For example, in the southeast, family size is nearly twice the national average; the adult literacy rate is 62% compared to a national average of 83%; and the percentage of underweight children under five is 17% compared to a national average of 10%. Furthermore, in that same region, there are 60% less doctors per 10 000 inhabitants, the rural per capita level of agricultural production is 22% lower and the proportion of women in employment is only 42% of the national average.
5. Over the last 20-25 years, a pattern of substantial permanent or seasonal out-migration from Southeastern Anatolia has emerged, as people have sought to mitigate their poverty by finding employment in the economic growth centres of central and western Turkey's cities or, indeed, outside the country.

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<sup>1</sup> *Turkey: Joint Poverty Assessment Report*. The World Bank and State Institute of Statistics (DIE), August 8, 2005; Turkey 2004.

<sup>2</sup> The USD 2.15 and USD 4.30 poverty levels for middle income countries are considered as comparable with the USD 1 and USD 2 levels used for cross country comparisons between low-income countries.

6. The design of the Diyarbakir Batman Siirt Development Project (DBSDP) is innovative. It is also pursuant to reforms introduced by Government to help the country's administration to move from traditional practices towards simpler and more effective management of local development. In this connection, the Ministry of Agriculture and Rural Affairs (MARA) more effective loan management capacity can be strengthened with managerial support in administering and in procurement of project inputs, including goods, services, human resources and technical assistance; as well as periodic evaluation of project outputs. The UNDP project at hand for the initial project timeframe 2007-2012, within the line of the loan agreement entitled "*Diyarbakir Batman Siirt Development Project*" signed on 5<sup>th</sup> March 2007, thus aims to support MARA with the expected result of more timely and cost effective project implementation and disbursement, as well as strengthening the relevant institutions. The approach is also consistent with IFAD's own policy to minimize administration costs and increase the part of the expenditure that directly benefits the target group.

### **I.A.2. Relevance to UNDP/Turkey's Country Program**

#### *- Country Programme Strategies*

This project is directly in line with the objectives and programmatic priorities of UNDP's ongoing and future support to Turkey's development agenda. Within the context of its current Country Programme Action Plan (CPAP) with the Government of Turkey for 2006-2010, and the accompanying Country Programme Document (CPD), UNDP supports national authorities and civil society actors in the implementation of the Government's Five Year Development Plan, with particular priority on UNDP's support to projects that accelerate rural development, and help to reduce poverty. In this respect, the CPAP for Turkey for the period 2006 to 2010 aims at supporting national institutions in developing and implementing policies and sectoral strategies to increase the people's access to opportunities for social, economic and environmental development. Specifically, one of UNDP Turkey's priorities is to reduce social and economic disparities by increasing employment and business opportunities for the poor and socially disadvantaged people through rural development.

With regard to this specific project, there are two key indications of UNDP's priorities as highlighted in the CPAP that point to the relevance of the DBS Development Project to UNDP's priorities in Turkey. These are:

1. Providing support to key international financial institutions involved in Turkey, including IFAD, that are providing loans in Turkey in sectors such as rural development, and all other subjects "by providing implementation support to line Ministries to render the delivery of these loans more effective".
2. Supporting the Government's Rural Development Strategy, in particular, project aimed at promoting agro-based enterprises and increasing rural productivity.

As such, the aims of the Project are directly relevant to UNDP's CPAP and CPD and priorities in Turkey for 2006-2010. Additionally, throughout its Country Programme, UNDP gives priority to UNDP's five global main "drivers of development". These are: 1) building national capacities; 2) promoting national ownership; 3) nurturing an enabling policy environment; 4) promoting gender equality; and 5) forging strategic partnerships. UNDP will seek to bolster the effective application of these development drivers through dedicated programmatic interventions.

### *- Capacity Development*

Through this project UNDP Turkey will ensure that results-oriented capacity-building mechanisms are supported at the institutional as well as local and individual levels towards the achievement of project objectives. Enhancing the technical capacity of relevant institutions, including MARA, and endowing these institutions with sustainable human development principles and methodologies is critical to ensuring the long-term sustainability and national ownership of the project. As a key partner and co-financier of the project, UNDP aims to strengthen national and local institutions by reducing capacity-gaps; support the Government's National Rural Development Strategy by strengthening MARA's national execution of this project, as well as provide international and national expertise; and organize national/international workshops, trainings and other related activities for optimal and sustainable capacity building.

### *- Gender*

According to UNDP's National Human Development Reports for Turkey, most recently in 2004, significant gender disparities exist, especially in the less developed parts of the country (notably the Southeast and Eastern Anatolia). UNDP will therefore work to ensure that through project implementation, there is an improved and strengthened effort to reduce gender disparities in the target communities. UNDP will seek to achieve this by incorporating gender sensitivity issues in the support it provides to MARA, including recruitment and training.

### **I.A.3. Beneficiaries/Target Group**

The Project's primary target groups would be the rural communities that involve agricultural activities; and secondly new or established rural producers and processors identified as profitable on the basis of supply chain analysis.

## **I. B. STRATEGY**

### **I.B.1. National Strategy**

1. Government's overall approach to solving Turkey's main economic and social problems is set out in its Long Term Strategy 2001-2023<sup>3</sup>. Government is pursuing high, sustained growth, human resource development and employment in high technology industry, infrastructure advances and regional development, coupled with transfer payments to poorer segments of society. Implementation of the Long Term Strategy aims to increase the effectiveness of Turkey as a regional power in the 2010s and as an effective state at global level in the 2020s. This is to be achieved through transforming into an information society and achieving economic as well as social restructuring in the process of full membership of the EU. Within this framework, the Medium-Term Programme 2007-2009, adopted by the Council of Ministers on 30 May 2006, is a three-year rolling programme linking longer-term objectives and priorities directly to the annual budgets of ministries and Government agencies. The primary objective of the Medium-Term Programme is "...to improve the life quality of the Turkish people, caring for all segments of the society in an environment where Turkey's socio-economic development is accelerated on the road to the EU membership."
2. The National Rural Development Strategy (NRDS) was adopted by the High Planning Council on 25 January 2006 and promulgated in the Official Journal of 4 February 2006, No. 26070. It "...covers the policies designed to diminish pressures of migration and

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<sup>3</sup> *Long Term Strategy and Ninth Five-Year Development Plan (2007-2013)*. State Planning Organisation, Ankara 2006.

unemployment problems (that have) emerged in urban areas due to the labor force leaving the agriculture sector during the process of sector restructuring.” The document constitutes the basis for a National Rural Development Plan (NRDP) to be prepared in the coming months as one of the pre-requisites for receiving EU-Instrument for Pre-Accession (IPA) funding. The NRDS and subsequent Plan will guide the allocation of both national resources and rural development funds provided within the scope of IPA as well as the funds of other international financial and assistance institutions related to rural development.

3. Government’s main purpose in rural development is to “...improve and ensure sustainability of living and job conditions of rural communities in their territories, in harmony with urban areas, based on utilization of local resources and potential and the protection of the environmental and cultural assets.”<sup>4</sup> The NRDS seeks to “...increase social welfare in rural areas where human resources and quality of life are constantly developing, with a competitive production structure that creates employment opportunities ... and to eliminate disparities of socio-economic development both between regions and between urban and rural areas.” It recognizes the respective importance and roles of public institutions (technical ministries and general directorates), public administrative structures (including provincial and district governorships and elected local government authorities), the private sector and civil society organizations.
4. Improvement in the performance of the agriculture sector is acknowledged as a necessary although insufficient basis for poverty reduction and socio-economic advancement in rural areas. In complementing the Agricultural Strategy, implementation of NRDS and is geared towards achieving four strategic objectives:
  - (i) Economic Development and Increasing Job Opportunities – through competitive agriculture and food sectors and diversification of the rural economy;
  - (ii) Strengthening Human Resources, Organizational Level and Local Development Capacity – including combating poverty and improving the employability of disadvantaged groups;
  - (iii) Improving Rural Physical Infrastructure Services and Life Quality; and
  - (iv) Protection and Improvement of the Rural Environment – through adoption of environmentally friendly agricultural practices, protection and sustainable use of forest resources and the management and improvement of protected areas.
5. The objectives of the Agricultural Strategy 2006-2010<sup>5</sup> are to: (i) sustain agricultural growth; (ii) improve food security and safety; (iii) strengthen the competitiveness of farms, (iv) improve markets and strengthen farm to market linkages; (v) raise rural incomes and living conditions; and (vi) strengthen farmer organizations. The Strategy recognizes the need for agriculture to be competitive within the EU framework, but at the same time remain an important contributor to rural income and employment. The Strategy sets the framework for direct support to agriculture through a range of measures, including: (i) compensatory payments to encourage a shift towards more profitable crops; (ii) insurance payments to guard against price and production fluctuation; (iii) investment in specific development programmes, with particular emphasis on countering soil erosion; and (iv) relevant research grants and loan supports. These measures are targeted to cost in

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<sup>4</sup> *Op.cit.*

<sup>5</sup> *Agricultural Strategy 2006-2010*. Decision of the High Planning Council, No.2004/92. 30 November 2004.

the order of but not less than 1% of GNP – equivalent to some USD 3.0 billion. While this is substantially less than the historical level of subsidies, it is more than in the last two years. While expenditure on direct income support (DIS) would be reduced by 30%, production linked premiums are to be increased and deficiency payments used to stimulate production of crops in which Turkey is not self-sufficient. One likely effect of these adjustments, directed to greater economic efficiency and hence competitiveness in the sector, is that smaller producers will gradually need to adapt to less protection by the State from price instability or insufficient demand for their produce.<sup>6</sup>

## **I.B.2 UNDP's Partnership Strategy**

UNDP is a strategic partner in the area of rural development in Turkey, strengthened through ongoing project partnerships with MARA. UNDP's comparative advantage is anchored in technical and field level experience as the sole implementation partner of internationally funded rural development projects in Turkey. Coupled with this, UNDP is a critical in-country partner for the International Fund for Agricultural Development (IFAD) and plays an important role in the areas of technical assistance, fast-track and timely implementation, and fostering dialogue with the Government on Turkey's current and future rural development agenda.

As defined in the Loan Agreement and elaborated in the Appraisal Report, UNDP Turkey will work to strengthen MARA's long-term institutional capacity for project management at central and provincial levels; facilitate the realization of established project activities; support effective and timely delivery; and provide strategic advises and technical assistance to MARA in line with project objectives.

In this partnership framework UNDP's role and scope of responsibility are in the following areas:

### ***Institutional Capacity Building and National Ownership***

The added value of UNDP Turkey's partnership is to strengthen MARA and the Project Management Units (PMUs) in the project provinces through a project framework ultimately geared towards ensuring national ownership; commitment and sustainability of institutional and field-level capacity; and achieving sustainable results in MARA. Under UNDP national execution arrangements, the Government, through the autonomous PMUs, is responsible for the realization of the objectives of this project, and for its sustainability. UNDP's partnership aims to strengthen MARA's effective and successful achievement of project objectives through the PMUs.

Specifically, UNDP's partnership will work in areas that are essential to implementing the project in a timely manner; and to support overall effective project execution in the areas of: financial management; areas of recruitment; technical assistance; studies and surveys; strategic advices; and training on policies and procedures as and when necessary. Through study tours, national and international conferences, seminars, training activities, and injecting a "learning by doing" approach, UNDP as a development organization will support operationalization of project objectives from the project budget and from its own resources. Capacity-building is critical to enable MARA to address the difficulties stemming from the lengthy and complex bureaucratic procedures which slow-down the smooth implementation of project activities.

<sup>6</sup> See Working Paper 1 for details of current agricultural support measures.

## ***Recruitment of Project Management Unit's Staff and National/International Consultants***

UNDP Turkey will support the establishment of a Project Management Unit (PMU) with an overall objective of timely and cost-effective implementation of the project, with a view towards a successful impact on the target group. The PMU will be geared to facilitate efficient, effective, and transparent project management and coordination through monitoring and evaluation, recruitment, and coordination with relevant partners. Meanwhile, all national/international project staff, international, short-term and long-term experts will be contracted through UNDP/Turkey in close collaboration with PMU, MARA and IFAD during the recruitment process.

## ***Full Fledge Financial Management***

### ***Securing Autonomy of Fund***

UNDP Turkey will facilitate flow of funds arrangements. The Treasury would transfer funds from the Project Special Account in the Central Bank to a designated Project Account, where MARA replenishes the amount and transfers this to UNDP Turkey's account. Payments from the Project Account would be made by UNDP for items programmed at the respective provincial levels that have been endorsed firstly by the PCC, as consistent with the approved Annual Work Plan and Budget (AWPB), and secondly by the designated Project Coordinator. To facilitate the procurement of smaller items, UNDP Ankara will provide PMUs with advances on quarterly basis. Disbursements will be approved by the Project Coordinator and the National Executing Agency (NEX Agency) MARA.

As a summary, within the context of Loan Agreement terms and the Project Document, UNDP-Turkey will be accountable for financial management of the Project funds amounting to 37 million USD, including; integrity and efficiency of Project fiduciary systems, the administration of Statement of Expenditure transactions, and for overall performance of the loan. Moreover, UNDP/Turkey office and its designated officials shall ensure compliance of the payments with IFAD and UNDP rules and regulations. The services UNDP provides under this service line are bank transactions and operations, payments, documentations, filing and other similar functions.

### ***Reporting***

The Project will be subject to regular monitoring and evaluation in accordance with established policies and procedures. In this framework, UNDP/Turkey will be responsible for the maintenance of financial records and the preparation of financial reports in accordance with statutory requirements in Turkey and the terms and conditions of the IFAD Loan Agreement.

## ***Procurement According to Guidelines***

For procurement of goods, works and services, UNDP/Turkey will lead in the implementation of IFAD and UNDP Procurement Guidelines encompassing competitiveness, best value for money, transparency, fairness, integrity and efficiency. The responsibility for the procurement of goods, works and services for DBSDP jointly rests with the UNDP and the PMU. UNDP shall support Project staff in implementing the procurement plan and processes during the submission of a no-objection contract awards to IFAD as required. Procurement process will be implemented at the field level as much as possible. For large scale procurement activities that should be implemented at the central level UNDP Ankara will take the leadership in close collaboration with MARA HQ staff.

The methods, which are permitted for the procurement of goods, services and works for Diyarbakir Batman Siirt Project are the following:

- (i) Local Competitive Bidding,
- (ii) Direct Contracting,
- (iii) International Competitive Bidding,
- (iv) Local Shopping

### ***Procurement of Goods, Services and Works***

*Local Shopping (LS):* Procurement of goods, services and works worth less than USD 2.500, will be made on the basis of "Local Shopping", through comparison of informal price quotes obtained from potential Suppliers.

*Local Competitive Bidding:* Procurement of goods, services and works worth between USD 2.500 and USD 100.000 will be made on the basis of "Local Competition" through sending of solicitation documents to short listed prospective suppliers in Turkey.

*International Competitive Bidding (ICB):* Procurement of goods, services and works worth USD 100.000 or more will be made on the basis of 'Open International Competition' through invitation (by means of an advertisement in IAPSO and UNDP web sites) of interested Offerors to request the solicitation documents from UNDP.

*Direct Contracting (DC):* Procurement of goods and services, which are contained in the 'Long Term Agreements' executed either by UNDP Turkey CO, UNDP HQ or IAPSO (Inter-Agency Procurement Services Office) might be made on the basis of 'Direct Contracting' - subject to prior review by the Fund, if needed - without a competitive process since these Long Term Agreements are signed through formal competitive bidding processes.

### ***Procurement of Consulting Services***

Selection of individual consultants who will work for the project will be realized in line with IFAD and UNDP rules and regulations. The selections will be made through a competitive process, which may be waived if the aggregate contract amount is less than 2,500 USD. For those individual consultants, selection of whom went through IFAD reviews and 'No-objection' of IFAD already exists, no additional reviews by the UNDP CO and/or UNDP HQ are needed if an agreement is signed between UNDP Turkey CO and IFAD.



The methods which are permitted for the procurement of consulting services are the following:

- (i) Quality and Cost-Based Selection
- (ii) Quality-Based Selection
- (iii) Selection under a Fixed Budget
- (iv) Single Source Selection

***Prior Review by IFAD***

The award of any contract for goods estimated to cost USD 100 000 equivalent or more shall be subject to prior review by the Fund. The aforementioned threshold may be modified from time to time notified by IFAD to the Borrower.

The award of any contract for works estimated to cost USD 50 000 equivalent or more shall be subject to prior review by the Fund. The aforementioned threshold may be modified from time to time notified by IFAD to the Borrower.

The award of any contract for consulting services referred to in paragraph 7 of the Loan Agreement estimated to cost the equivalent of USD 20 000 for individuals and USD 40 000 for firms or more, shall be subject to prior review by the Fund. The aforementioned threshold may be modified from time to time as notified by IFAD to the Borrower.

***Review by UNDP Committees***

- 1) Procurement of goods, services and works at 30,000 USD or higher will be subject to review of Contracts, Assets and Procurement Committee (CAP) of UNDP. Procurement of goods, services and works at 100,000 USD or higher will be subject to review of both Contracts, Assets and Procurement Committee of UNDP and Advisory Committee on Procurement of UNDP at New York Head Quarter.
- 2) Procurement of goods, services, works individual consultants/companies above 2,500 USD, for which the competitive process is waived will be subject to review of Contracts, Assets and Procurement Committee of UNDP at New York Head Quarter. Procurement of goods, services and works above 30,000 USD, for which the competitive process is waived, will be subject to review of both Contracts Assets and Procurement Committee of UNDP and Advisory Committee on Procurement of UNDP.
- 3) Selection of individual Consultants at 100,000 USD or higher will be subject to review of both Contracts, Assets and Procurement Committee of UNDP and Advisory Committee on Procurement of UNDP at New York Head Quarter. For those individual consultants, selection of whom went through IFAD reviews and 'No-objection' of IFAD already exists, no additional reviews by the UNDP Committees are needed, as per the Agreement to be signed between UNDP Turkey CO and IFAD.

### *Strategic Advises*

UNDP has proven experience through ongoing rural development projects that are designed in line with Government priorities in the area of rural development. Informed by its accumulated and ongoing downstream implementation experience at the field level, UNDP will be instrumental in ensuring that project-financed activities and investments are designed through a consultative process between MARA and the intended beneficiaries of the targeted project area. UNDP will ensure that investment plans and budgeting are responsive to local-level priorities and capacity-gaps identified by the target beneficiary groups. This bottom-up and participatory approach enabled by UNDP, whereby rural actors at all levels are engaged in the process of needs-identification and decision-making in regards to project investments will strengthen capacity at the village-level; ensure the viability of the project; and facilitate improvements towards achieving the project's intended outcome.

Emphasizing best practices and lessons learned, UNDP is well positioned to provide strategic and results-oriented development policy advice to MARA on achieving project objectives with a view towards ensuring sustainable improvements in the livelihoods of target beneficiaries. UNDP's ongoing institutional partnership and dialogue with MARA, and given that rural-development focused partnerships have had considerable impact at the local level; UNDP can effectively leverage field experience to offer policy support to MARA in line with priorities established in the Government's National Rural Development Strategy (NRDS); within the overall framework of Turkey's national development priorities.

Specifically, the Project Coordinator in Ankara will continuously liaise with the respective UNDP Programme Manager to secure the smooth implementation of the Project, in accordance with procedures and obligations specified in the IFAD Loan Agreement and implementation arrangements detailed in the Project Operations Manual.

### *Technical Assistance*

UNDP/Turkey supports the PMUs and the Project Coordinator to commission studies and surveys in each province in Project Year 1 (PY1) in order to prepare: (i) an inventory and assessment of the existing network, operational status and market linkages of farmers' and business organizations; and (ii) an analysis of farm level crop/livestock budgets and the economics of production among smallholders in each of the principal production systems. UNDP will also assist in the preparation of the AWPB and monitor progress of the project activities at the field.

## II. PROJECT COMPONENTS

### Component A: Village Improvement Programme

1. The component is directed to mitigating poverty at the village level and comprises three sub-components: (i) awareness raising; (ii) farmer education and training; and (iii) investments in small-scale social and economic village infrastructure.
2. **Sub-component A1: Awareness Raising:** There is some evidence that poor farm families are often unaware of their entitlements to agricultural support transfers and other ongoing sources of development support. They will, of course, be initially unaware of support offered to them by the DBSDP. Under this sub-component, therefore, provision is made for compilation and publication of a handbook on available support for poor farm families, including that to be provided by the DBSDP. It would include details of the various supports' title, objectives, eligibility criteria, type of support, means of delivery, application procedures and contact details for their delivery. The handbook would be delivered to Project beneficiary villages through MARA field staff, who would receive orientation training from the Project. Delivery would be complemented by village meetings to assure as widespread awareness as possible of the existence and purpose of the handbook and indicate appropriate follow-up action on its contents. Meetings would be iterative with field staff following up regularly in conjunction with their other duties regarding progress on take-up of support options, issues arising and, where necessary, remedial actions required. Preparation of the handbook may be contracted out by the DBSDP Demand-driven Extension Specialists (DDESs).
3. **Sub-component A2: Farmer Education and Training:** The sub-component aims to identify cost-effective, sustainable gains to productivity in subsistence and semi-subsistence farming systems in the Project participating villages. Achievement of these gains for the benefit of poorer farm families will then be supported through farmer education and training. Identification would be achieved through a consultative process between beneficiaries and MARA field staff. In the first instance, beneficiary communities at large under the leadership of their muhtars and Councils of Elders would be invited to present their needs and preferences in relation to improving agricultural productivity. These proposals would be appraised technically and financially either by MARA staff or sub-contracted competent agents, leading to the specification of a menu of options determined as acceptably feasible, sustainable and cost-effective and to the development of related training courses and materials. Appraisals would specify investment costs, financial and other benefits expected to accrue (e.g. health and nutrition benefits), as well as the socio-economic type, number and gender of likely beneficiaries. Prospective beneficiaries would then be able to choose the training options best suited to their circumstances. Marginal gains in levels of subsistence would derive mainly from enhanced awareness of and access to the existing transfer measures of Government, linked to incremental demonstration and technology transfer programmes organised through the P/DDAs (Provincial/District Directorates of Agriculture). The menu development process would allow adoption of a participatory approach to the identification of Project target group needs and the development of practicable self-targeting responses to address those needs. Overall responsibility for elaborating the sub-component as a fully-fledged demand-driven extension approach, training MARA field staff in its operation, ensuring its delivery and monitoring its benefits, would rest with each of three suitably qualified demand-driven extension specialists in each of the three DBSDP provincial-level Project Management Units (PMUs).

4. **Sub-component A3: Infrastructure for Village Improvement.** Requests for DBSDP support to improve public infrastructure in Project participating villages would be determined through a series of village discussions between P/DDA personnel and the existing Muhtar-Village Council, supplemented by village-wide meetings to ensure information dissemination and popular feedback. Investments are expected to focus on small-scale irrigation improvement, sewerage improvement and construction of animal drinking sources. Care would be taken not to overlap with and to complement infrastructure activities supported by the substantial 'KOYDES' programme, financed and delivered by Government through the Special Provincial Administrations (SPAs), and also MARA's ARIP/VBPI (Agricultural Reform Implementation Project/Village Based Participatory Investments) and Support to Rural Investments (KKYDP/RDP) projects. Also, implementation of the sub-component will be congruent with the implementation arrangements for these projects.
  
5. P/DDA field staff would assist villages to prepare infrastructure improvement proposals to be completed by the SPAs' Village Services Units (VSUs) with a technical feasibility study, cost estimates and co-financing arrangements. Similar to the ARIP/VBPI project, the contribution from the IFAD loan would not exceed 75% of the cost of investment, while the remaining 25% would be a combination of SPAs' budget plus the cost of their VSUs involvement (20%) and villagers' contribution in the form of cash, labour or materials (5%). Ranked approval of applications would be done by the Provincial Project Evaluation Committees (PECs) set up in each of the three Project provinces under the ARIP/VBPI and KKYDP/RDP projects. The PECs would check for administrative compliance and eligibility of applications and rank them on the basis of a transparent and objective scoring system as outlined in Section V.B of Working Paper 3.<sup>7</sup> Approved ranked proposals would be submitted to the DBSDP Project Coordinator (PC) for review and reconciliation with DBSDP Annual Work Plans and Budgets (AWPBs) and submission to IFAD through UNDP for no objection. Following no objection to a proposal, the VSU would prepare detailed designs, Bills of Quantities (BOQs) and technical specifications, and the Finance/Procurement Officers of the DBSDP PMUs would prepare tender documents following IFAD procurement guidelines and overseen by UNDP. Tender evaluation and contract negotiations would be carried out as part of the UNDP administrative support to DBSDP. Construction supervision would be overseen by VSUs. The PMUs would collect requests for payments prepared by contractors and approved by the VSU supervisors and transmit them to the PC for endorsement and onward transmission to UNDP for payment. Villagers would be trained by DBSDP in operation and maintenance of infrastructure supported by the Project. The VSUs' role would be specified in a protocol or Memorandum of Understanding between the PDAs/DBSDP and the SPAs.

### **Component B: Rural Economic Growth**

6. The Rural Economic Growth Component would comprise of five sub-components: Rural Supply Chain Management; Business Intermediation Services; Contributory Grants; P/DDA Staff Capacity Building; and Rural Finance.
  
7. **Sub-Component B1: Rural Supply Chain Management.** In supporting enterprise development in the agricultural sector, a supply chain management approach would be adopted. Investment requirements and opportunities identified through the supply chain approach would provide the basis for a series of location- and supply chain-specific

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<sup>7</sup> DBSDP Appraisal Report. March 2007. Volume II: Working Papers. Working Paper 3 "Supportive Infrastructure for Village Improvement"; Section V. B "Implementation-Detailed Selection Procedures".

responses and investments by the Project, involving the formation of a potentially wide range of partnerships and the brokerage by the Project of investment-specific services.

8. The supply chain management approach would start with a number of DBSDP-commissioned preliminary studies in each province to identify the most appropriate commodities, commodity groups or sub-sectors for further development. The initial focal sub-sectors/commodities are likely to those that already have functional production facilities or well established marketing arrangements. Initial attention would therefore be likely to focus on supply chains for meat processing (principally sheep meat), milk processing (principally sheep milk for production of cheese and yoghurt), viticulture and horticultural crops (including orchard crops – fruit trees and nut trees, as well as vegetables for the fresh market or for processing).<sup>8</sup> The primary studies would include an assessment of local production capacities, the potential comparative advantages, seasonality of supply and demand, and market access and productive potential of different locations in the Project area. The primary studies would be contracted out to national specialists, for which an allocation is made in the DBSDP budget. Based on the results of the primary studies, the DBSDP management in the provinces would select the most promising commodities/sub-sectors for a more detailed supply chain analysis. These analyses would be carried out by externally recruited specialists, financed with allocations from the DBSDP budget. The supply chain analysis would involve a transaction mapping exercise to (i) identify transaction costs and pricing relationships at successive levels in supply chains; (ii) provide a preliminary assessment of the types of investment that could contribute towards improved trading relationships; (iii) identify existing key supply chain integrators (processors) actively engaged in marketing the product(s) concerned in any or all of the Project provinces; and (iv) evaluate the overall feasibility of and anticipated requirements for enhancing supply chain performance. An integral part of the supply chain analysis is a detailed consultative process between the recruited consultants and the stakeholders at various levels of the supply chain, to identify the opportunities and bottlenecks in the process.
9. Based on the results of the supply chain analyses, the Project management, with support from national and international technical assistance and DBSDP-supported Business Promoters (see below), will select the most appropriate commodities/sub-sectors, for which a complete Strategic Investment Plan (SIP) will be developed. For the completion of each SIP, the DBSDP budget includes a support allocation of USD 10 000. A SIP would provide an investment framework for Project support to participants at different levels in the supply chain. Such support might differ in combinations of: assistance with applying for existing forms of Government support to the sector, particularly in the future related to EU/IPARD; the design and implementation of actions (e.g. technology demonstrations, exchange visits, promotional events) to be undertaken at various levels by and with the stakeholders concerned; strengthening capacities for business management and improving technical operations of individual farmers and farmers' organisations active in the supply chain; and preparation of business plans for SIP-related rural entrepreneurs. Support could also include consideration of eligibility of on-farm and off-farm businesses for the award of a contributory grant from the DBSDP (see below), but the grant would not be an automatic right of supply chain participants.

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<sup>8</sup> The list is intended to be illustrative rather than exhaustive. When analyzed further, local circumstances might suggest the inclusion of other supply chains, either from the outset or at a later stage of Project implementation when further adjustments in business and market environments have evolved.

10. The national and provincial DBSDP management team and the Business Promoters would be supported in the SIP design and implementation process by internationally recruited technical assistance specialised in the supply chain management concept, as well as by various nationally recruited short-term experts, including an Agricultural Economist, a Business Development Expert, and experts in EU quality control issues.
11. Within an approved SIP, associated on-site training would be made available with DBSDP financing to stakeholders under three sets of conditions according to the type of stakeholder concerned. First, for smallholder primary producers, services would be provided free at the point of delivery. Second, for intermediary organisations, such as farmers associations operating on a commercial footing, technical and business management training and demonstrations would be funded to a level of 80% by the Project with the trainee organisation contributing 20% of the cost of the training. Third, at the level of the key supply chain integrators (processors), specific training, technical assistance and other services would be supported with a maximum 50% contribution from the Project.
12. During the SIP implementation, Business Promoters would undertake technical and/or management related follow-up visits to farmers' and farmers' association participating in the SIPs, at full cost to the Project. Where feasible, the visits would be made together with local area staff of the relevant P/DDA. The visits would not only provide the opportunity to give further on-site guidance but also the opportunity to monitor the performance and impact of the awarded contributory grants.
13. **Sub-Component B2: Business Intermediation Services.** DBSDP support to enterprise development would be linked to the availability of Business Promoters accredited by the Project to provide business intermediation services to prospective investors. Identification of Business Promoters would be initiated by the Project Coordinator calling for expressions of interest from across the Project area. Initial screening and interviewing of applicants, who would have demonstrated skills in business planning and/or a commercial approach to agri-business development, would entail a joint evaluation by the Project Administrators and Rural Development Coordinators (RDCs) of all three provinces.
14. Short-listed applicants would receive an initial orientation related to DBSDP before being requested to submit proposals for their accreditation as Business Promoters. The aim of this process would be to ensure that minimum standards of service provision could be met during the course of Project implementation. Since the level of effective demand for intermediation services among smaller-scale investors cannot be readily quantified at this stage, the initial round of accreditation would be restricted to the selection of six Business Promoters for the whole Project area in order to avoid the risk of over-subscribing the requirement.
15. Business Promoters would act as catalysts, increasing awareness of investment opportunities and brokering services on behalf of the Project and simultaneously establishing themselves as private entrepreneurs: business development advisers. They would be allowed to operate on a competitive basis throughout the Project area. Business Promoters would help clients to plan their businesses in relation to an effective marketing strategy based on an analysis of prospects for business growth and sustainability. Their engagement with the Project would be consistent with the design principles identified for DBSDP of stimulating private sector interests and cost sharing, since Promoters' principal clients, apart from smallholder primary producers, would contribute to the cost of business planning services and the provision of ongoing management and technical

advice. The approach would be an initial step in introducing the recognition that a commercial orientation, for example in agriculture, will increasingly necessitate payments for services rendered, the cost of which would have to be covered by business earnings.

16. To enable Business Promoters to continue to offer relevant and valuable services to their clients, the Project would finance specialised short courses to develop and upgrade Promoters' skills in areas relevant to enterprise management and the further commercialisation of agriculture. As a result, Business Promoters would be in a position gradually to extend and enhance their own businesses, not only in support of DBSDP-sponsored operations, but also more widely.
17. **Sub-Component B3: Contributory Grants.** As the key intervention to support SIP-related on-farm and off-farms investments in the Project area, USD 14.7 million of the DBSDP budget is related to the provision of contributory grants. These grants would be issued according to the criteria and procedures developed by the World Bank support for private enterprise development support under the Village Based Participatory Investment Project (VBPI) of the ARIP Project. The organisational framework for processing the applications for these contributory grants is already functional in each of the three DBSDP provinces, including the Provincial Evaluation Committees for these grants. The basic eligibility criteria and guidelines for evaluation of contributory grant applications are presented in Appendices 1 and 2 of Appraisal-Working Paper 2.<sup>9</sup> At the Project start-up, the DBSDP would finance an international consultancy to support Government's ongoing initiatives to simplify the current contributory grant approval process.
18. During the SIP development processes, Business Promoters would identify prospective individual investors, village-based groups, rurally based farmers' organisations/associations and local private companies wishing to invest in SIP-related businesses. The objective would be to assist prospective investors to prepare business plans as a basis for applying to DBSDP for a contributory grant to finance a share of the cost of investment. The desire to invest could be related to business start-up or the expansion of an existing business. Applicants subsequently awarded a DBSDP grant – or able to attract other financing on the basis of a Business Promoter-assisted plan for instance from Ziraat Bank or other banks – would then be further supported by Business Promoters with necessary technical and management advice to run their business efficiently.
19. All applications for contributory grants would be accompanied by detailed business plans illustrating not only the financial feasibility but also the appropriateness for the applicant in terms of the scale and nature of investment. Grant applications would also include estimations of the expected multiplier effects of investment in terms of job creation, increased demand for farm produce and attendant effects on incomes and poverty reduction among the Project's primary target group.
20. Consistent with provisions for enterprise development already established for the VBPI, there would be two categories of grant award. First, individual first-time clients could be considered for a contributory grant of up to USD 17 500 – being equivalent to up to 50% of the overall cost of investment. Second, private corporate/business entities and established farmers' organisations could be considered for a contributory grant award of up to USD 125 000, again being equivalent to up to 50% of the overall cost of investment.

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<sup>9</sup> DBSDP Appraisal Report, March 2007, Volume II: Working Papers. Working Paper 2 "Rural Economic Growth"; Appendix 1: "Enterprise Development-Draft Eligibility Criteria and Ranking Procedures" and Appendix 2 "Extract from VBPI Implementation Guide".

21. In cases, in which the total cost of an individual investment would exceed USD 35 000 or USD 250 000 (i.e. twice the level of the maximum grant ceilings indicated above), the balance of the cost would have to be financed by the investor. This balance could be financed either directly from his/her personal funds or from a combination of direct personal funds and a commercial loan. Partial financing through debt would be acceptable provided that a satisfactory business debt to equity ratio is fulfilled.
22. As a further encouragement to first time individual clients eligible for the smaller grant, they would be supported with a discounted cost of Business Promoters' planning services. The Project would contribute a standard grant of USD 200 per business plan with any balance of the cost payable to the Business Promoter from the investor's own funds following a successful application. Each RDC would check and authorise payments to the Promoter for services tendered to clients from their respective province. Funds available under the Project would be sufficient to respond to requests for assistance in preparing some 300 business plans.
23. Furthermore, for individual clients, the Project would finance the cost of follow-up, advisory visits by the relevant Business Promoter at a level sufficient to cover 7 days of follow-up support per Promoter per client in Project Year 1 and 14 days per annum thereafter during the life of the Project. For budget estimation purposes it is assumed that a Promoter's day worked would provide for visits to up to four clients. For corporate/business entities awarded contributory grants, subsequent technical and management training would be provided on a cost sharing basis, with the Project contributing 80% of associated costs and the grantee financing the remaining 20% of the cost.
24. **Sub-Component B4: P/DDA Staff Capacity Building.** A key feature of Project support would be to provide for SIP-related capacity building among the technical staff of the P/DDAs. Training courses would focus on technical themes of primary importance in seeking to commercialise and diversify agriculture and raise overall levels of economic activity, taking into consideration the requirements emerging from the introduction of IPARD measures, the induced effects of continuing EU convergence and trends in increasingly competitive domestic and international market environments. In the Detailed Cost Table for Component B, examples of anticipated training courses for P/DDA staff are listed.<sup>10</sup> The actual selection of appropriate training topics would depend to a large extent on the type of SIPs to be selected for Project support. The benefits of skill enhancement would feed back into the various technical activities supported under the Project by improving the range, quality and appropriateness of advice available through the P/DDA structure. A total of some USD 76 000 would be allocated under the sub-component to finance specialised in-service courses for P/DDA staff.
25. Emphasis would be given to training in aspects of farm budgeting and production economics to help staff and subsequently their clients to understand a liberalised economy and its implications for maintaining competitiveness in production, marketing and organisational practices. Additional training themes would deal with various aspects of product handling and marketing, especially quality and quality control issues, international certification standards and the demands of niche marketing. Courses would be designed also to ensure the familiarity of staff with the terms and conditions of access to Government's existing support measures to agriculture.

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<sup>10</sup> DBSDP Appraisal Report. March 2007. Volume II: Working Papers. Working Paper 6 "Detailed Cost Tables"; p 20.



26. **Sub-Component B5: Rural Finance - Facilitation for Bank Investment Finance.** The Turkish Government, with the support of the World Bank, has selected contributory grants as the appropriate means of supporting investment activities particularly in the poorer areas of the country. According to the agreed system, these grants provide a maximum 50% financing for investments in such enterprises that are seen as crucial for economic development and fulfil other eligibility criteria of these grants.
27. While the contributory grants finance a maximum 50% of the investment costs, the owners of each enterprise have to raise the other half from other financial sources. In addition to their own contributions, many investors particularly in agro-processing would require bank finance to be able to implement the projects successfully. However, in the current circumstances of the Turkish financial sector, getting financial institutions involved in these joint financing projects may need facilitation. Therefore, during the first phase of DBSDP implementation, the Project would explore whether bank participation in investment financing could be increased through focused DBSDP actions. Consequently, provision has been made for: first, an international banking consultancy to be carried out towards the end of Project Year 2 to assess the involvement of financial institutions in the financing of SIP-related investments and if the situation requires, to design appropriate support mechanisms and modalities to increase the interest of banks to invest in these projects; and secondly, a USD 800 000 Rural Finance Reserve Fund that can, if required, be used during the latter half of the DBSDP implementation to implement the identified appropriate support mechanisms and modalities to involve banks more actively in SIP-related financing.

### **Component C: Capacity Building for Employment**

28. The component seeks to enhance access to better-paid employment in the emergent local rural economy, supported under Component B 'Rural Economic Growth', for surplus and migrant labour in participating Project villages.
29. Two initial studies would be carried out: (a) an employers' needs assessment among likely rural employers of the Project's target groups to identify the knowledge and skills they might require of potential employees; and (b) an analysis of the regional labour market to identify trends and opportunities and constraints to its efficiency. These two studies would be contracted out to suitably qualified and experienced service providers. Study findings would be used to determine what training curricula would be most appropriate to improve employability among the component's target population and to determine follow-up action with respect to improving labour market efficiency. In these respects, it is anticipated that the Demand-driven Extension Specialists (DDESs) would establish close liaison with other relevant stakeholders, e.g. with the Ministry of Education as regards curriculum development and delivery and with bodies such as the Ministry of Labour and Social Security and local Chambers of Commerce and Industry and Chambers of Agriculture, as regards labour market efficiency.
30. A consideration that may need to be factored into the prioritisation of training topics is the local availability of trainers in the required subjects. Provision is therefore made under the sub-component's finance for training of trainers in order to meet assessed demand.

31. DDESs would contract out development of the training curricula. The contract would cover: drafting of the curricula; review of the drafts by representative and relevant potential employers; subsequent modification of the curricula if necessary in the light of review comments; piloting of the curricula; and finalisation of the curricula. Following finalisation of the curricula, production of materials and media for their implementation would be the subject of further contracts. At the same time, details of forthcoming training and invitations to apply for it would be circulated to DBSDP beneficiary villages by MARA field staff and as appropriate through the staff of other liaising agencies.
32. It is expected that the DDESs, who would have lead responsibility for implementation of the component, would explore cost-sharing arrangements with local employers, on the basis that they would benefit from the availability of a pool of better-educated and trained potential employees as a result of component activities. These cost-sharing contributions could take various forms including: cash or in-kind contributions to curricula development, training, provision of training facilities, apprenticeship schemes and 'on-the-job' training experience.
33. A potentially significant contribution by the component to civil society capacity building flows from the National Rural Development Strategy's expressed interest in 'Increasing the contribution of non-governmental organizations to rural development at local level, such as village development associations established by ex-rural inhabitants in cities and metropolitan urban areas.'<sup>11</sup> Under the component, the DBSDP would seek to establish or strengthen village development associations (VDAs), in congruity with emerging Government legislation and regulation for such associations, with the objective of attracting inward investment into local, sustainable production and developing networks relative to employment opportunities for DBSDP beneficiaries. A VDA development fund is therefore provided under the component for initial awareness raising and subsequent development of the Government-approved institutional form, procedures and functions for VDAs. Over time, VDAs would be expected to become a useful interface between DBSDP beneficiaries and Project management, providing feedback on beneficiary needs, views and progress, and laying the basis for a participatory approach to Project monitoring and evaluation (M&E). Similarly, VDAs would be expected over time to assume responsibility for meeting their operational costs, first partially then wholly, from contributions by their membership. Finally, VDAs might eventually become the interface of first choice with other ongoing and planned activities by Government and other donors, relevant to improving their members' socio-economic status.

#### **Component D: Project Organization and Coordination**

34. The organisational arrangements of DBSDP are designed with a view towards building institutional capacity of MARA at central and provincial levels. Professional positions created for the specific purpose of Project organisation and coordination would include: (i) a Project Coordinator (ii) UNDP Project Administrator and (iii) in each of three Project Management Units – one per participating province – a Project Administrator, a Rural Development Coordinator, a Demand-driven Extension Specialist and a Finance/Procurement Officer. It was agreed with Government during Appraisal that these positions would be filled through external recruitment.. Some technical staff can be seconded by the Provincial Directorates of MARA. The management structure for DBSDP is illustrated in Section III B, below.

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<sup>11</sup> NRDS, Priority 2.3: Strengthening Local Development Capacity, page 22.

35. Close collaboration between MARA, IFAD, and UNDP as envisioned in the Project management structure will enable results-based knowledge transfer and sharing of best practices with a view towards achieving sustainable impact on the beneficiaries of the Project in terms of income, assets, employment and human capacity in the Project provinces.
36. As an international development organization, UNDP will strengthen institutional capacity of MARA, both in Ankara and in the provincial administrations, with a view towards strengthening organizational effectiveness, supporting national ownership of project targets, and effective implementation of the Annual Work Plan and Budget.
37. UNDP will provide oversight to ensure that gender equality will be mainstreamed in all activities to be supported by the Project, including the recruitment of contracted Project staff and the establishment of the provincial PMUs.

### **III. MANAGEMENT ARRANGEMENTS**

#### **III.A. Execution Arrangements**

##### *National Execution*

The Diyarbakir-Batman-Siirt Development Project in Southeastern Anatolia with the timeframe 2007-2012 is nationally executed under the overall authority of the Ministry of Agriculture and Rural Affairs (MARA) by an autonomous Project Management Unit (PMU) in each of the three Project provinces.

The PMU is taken to mean the Project Administration Unit (PAU) referred to in the Project Loan Agreement between the Government of Turkey and IFAD.



### III.C. Measuring Results and Impact

1. Extensive provision has been made in the relevant sections of the Appraisal Report and the signed Loan Agreement for the Project's finances for comprehensive management information and monitoring and evaluation systems (MIS and M&E), designed to achieve and measure Project results and impact.<sup>12</sup> An important consideration in providing substantial support to MIS and M&E is that the initiative is highly innovative in the context of Southeastern Anatolia, being the first one to take an integrated approach to rural poverty reduction in the area. It seems important therefore that its implementation, results and impact be thoroughly documented as a self-evident knowledge management function in relation to potential replication and up-scaling.
2. The provision includes funds for: an initial benchmark assessment; annual programming workshops; a Mid-term Review; impact assessments; and a Completion Report. In addition, funds have been set aside for a Targeting and Integration Study and a Land Tenure Study, the findings of which would be reflected in the Project's performance indicators. The identification and selection of performance indicators is also expected to be informed by the discussions, findings and recommendations of three workshops, these being: the Start-up Workshop; the 'Sensitization' Workshop; and the 'Rural Poverty Reduction' Stakeholder Workshop.
3. The Project's financial performance would be assessed primarily through annual audits.
4. The logical framework indicators combined with a relevant selection of indicators from IFAD's Results and Impact Management System (RIMS) and indicators derived from the workshops and studies mentioned above would form the core of the benchmark survey to be carried out in the first year.<sup>13</sup> The benchmark survey would be designed to capture the pre-Project situation in the area of the rural parts of the provinces of Diyarbakir, Batman and Siirt, with particular emphasis on defining the socio-economic status of the Project's principal target groups and the structure and performance of the Project area's rural economy. Key elements, therefore, of the assessment are expected to be: (a) socio-economic characteristics of the target groups; (b) enterprise development – number and type of enterprises, number of employees, financial parameters; and (c) status of social and economic infrastructure. It is anticipated that the benchmark assessment would combine a formal household sample survey with a more qualitative in-depth study.
5. The indicators used in the benchmark assessment would form the basis for the regular reporting on physical and financial progress, analysis of factors inhibiting or facilitating such progress and follow-up action either taken or planned. The proposed annual programming workshops would provide an opportunity for Project stakeholders to: review overall implementation progress and poverty focus; share lessons; critically reflect on results from the previous year; analyze the implications for the goal and objectives; revise the logical framework; reflect corrective action as appropriate in the forthcoming year's planning; and identify successes and means for replication.
6. A Mid-term Review would be undertaken not later than the latter part of the third year of Project implementation. The Review would cover, among other things: physical and financial progress as measured against Project Appraisal and Annual Work Plans and

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<sup>12</sup> See Loan Agreement and the Appraisal.

<sup>13</sup> The current RIMS indicators can be seen in the Appraisal Report.

Budgets (AWPBs); performance and financial management of contracted service providers; and an assessment of the efficacy of technical assistance and training programmes. In addition, it is expected that the Review would look particularly at institutional and policy change arising from Project activities, including: development status of farmers' organisations and village development associations; re-orienting of development support services to a more demand-driven and market-oriented approach; reconfiguration and development of partnerships between public and private development support services; and policy issues and development relative to women in the development process, land tenure and land operating licensing, village development associations; and the appropriateness and feasibility of expanding the Project to other provinces in the region. Review findings on implementation progress, and institutional and policy change would inform decision-making, as appropriate, on adjustments to Project components content and financing.

7. An impact assessment would be carried out either late in the fourth or early in the fifth year of Project implementation. This is likely to be the earliest point in the Project that impact can be meaningfully assessed. The template for the assessment would be the benchmark assessment since the objective would be to compare the pre-Project situation with that obtaining for to five years later.

8. Finally, Government as executing agency would be expected to submit a Project Completion Report to IFAD and UNDP within six months of Project termination.

9. All data and other materials generated at all stages of the MIS and M&E activities described in the preceding paragraphs would be disaggregated by gender to assure gender equity with regard to eventual results and impact of the Project.

10. During the proposed Project's lifetime, lead responsibility for the design and operation of its MIS and M&E would rest with the three Project Administrators (PAs) of the three Project Administrative Units. MIS and M&E information would be communicated to the provincial Project Coordinating Committees and to the Ankara-based Project Coordinator as a matter of the Project's standard reporting procedures. Copies of MIS and M&E information are expected to be available to IFAD and UNDP as required.

11. To assist the PAs in the discharge of their MIS and M&E responsibilities, provision has been made under the heading of 'Start-up Activities' for eight person months of Technical Assistance (TA). Some of this TA is intended to provide necessary and adequate expertise in MIS and M&E design and operation for the Project. Key tasks would include: identification and selection of indicators for the Project's goal, objectives and components; design, pilot-testing and finalisation of applicable and cost-effective data collection and reporting methods; definition of the role and responsibilities of Project stakeholders in participatory monitoring and evaluation; elaboration of provisions to assure the mainstreaming of post-implementation Project-related MIS/M&E into the Provincial Directorates of Agriculture's (PDAs) data collection, management and reporting arrangements; and further comprehensive development of a results matrix for the Project's components, including Project Organisation and Administration, and knowledge management, partnership, policy dialogue and impact management.

12. In addition, a lump sum of USD 50 000 has been earmarked to finance day-to-day MIS and M&E operations over the five-year Project period, supplementary to the funds provided for the various workshops, studies, reviews and reports described in the preceding paragraphs.

### III.D. Project Audit

Subject to Section 5.02 (c) of the Loan Agreement, "The audit of the Project Account shall be performed by UNDP through independent external auditors annually, and submitted to the Lead Project Agency for submission to the Fund."

### IV. LEGAL CONTEXT

This UNDP Project is funded from resources made available to the Government by IFAD under loan agreement No: 718-TR, dated 5<sup>th</sup> March 2007 between the Republic of Turkey and IFAD, and will be implemented in accordance with the provision of the Project Appraisal Report and the Loan Agreement. As indicated in the Loan Agreement, UNDP will also provide a grant approximately in the amount of USD 752 000 for five years (2007-2011) to assist in financing the Project on terms and conditions set forth in an agreement (the "UNDP Grant Agreement") between the Borrower (Turkish Treasury) and UNDP dated 20<sup>th</sup> June, 2007.

The role of UNDP as a co-financier and implementation partner is incorporated in detail in the relevant sections of the Appraisal Report and the signed Loan Agreement with the Government of Turkey. Such an arrangement will serve as the overall guidance and legal framework for the involvement of UNDP in the "*Diyarbakir Batman Siirt Development Project*". This Project Document serves in lieu of the "UNDP Service Agreement" as referred to in the Loan Agreement, between MARA and UNDP.

The project document shall be the instrument envisaged in the Supplemental Provisions to the Project Document, attached hereto.

The following types of revisions may be made to this project document with the signature of the UNDP Resident Representative only, provided he or she is assured that other signatories of the project document have no objections to the proposed changes:

- (a) Revisions in, or addition of, any of the annexes of the project document (with the exception of Standard Legal Text for non-SBAA countries which may not be altered and agreement to which is a pre-condition for UNDP assistance).

Revisions which do not involve significant changes in the immediate objectives, outputs or activities of a project, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation; and mandatory annual revisions which re-phase the delivery of agreed project inputs, or reflect increased expert or other costs due to inflation, or take into account agency expenditure flexibility.

V. BUDGET

**UNDP/TURKEY - COST OF ADMINISTRATION SUPPORT SERVICES TO  
DIYARBAKIR BATMAN SHIRT DP (USD)**

**DIRECT COSTS :**

**STAFF TIME**  
For this project, UNDP would provide the services of the following staff :

FUNCTION	TOTAL NO. OF STAFF	TOTAL MONTHLY STAFF HOURS (****)	STAFF HOURS PER MONTH TO BE ALLOCATED FOR DBSDP	% of FULL TIME
UNDP Programme Manager (*)	1	174	52.2	30%
DBS UNDP Project Administrator (**) To be recruited	1	174	174	100%
UNDP Programme Support Associate (***)	1	174	60.9	35%
UNDP Human Resources Associate (***)	1	174	17.4	10%
UNDP Procurement Associate (***)	1	174	26.1	15%
UNDP Finance Associate (***)	1	174	26.1	15%
UNDP Support Staff (admin)	2	174	17.4	10%
			<b>147.9 hrs</b>	

ANNUAL STAFF TIME				
Programme Manager (*)	\$81,000 x 30%			<b>\$24,300</b>
UNDP Project Administrator (**)	\$30,000 x 100%			<b>\$30,000</b>
Other UNDP Staff Average Annual Cost	147.9 hrs x 12 months =	1,774.8 hrs	x \$25/hrs =	<b>\$44,370</b>
<b>GRAND TOTAL</b>				<b>\$98,670</b>

(\*) - Total yearly cost to organization = \$81,000  
 (\*\*) - Remuneration is estimated \$2,500 / total yearly cost to Organization = \$30,000  
 (\*\*\*) - Average per hour cost of the staff is \$25.  
 (\*\*\*\*) - Monthly staff hour is calculated as follows = 8 hrs. per day x 21.75 days per month = 174 hours.



**BREAKDOWN OF ANNUAL COSTS FOR ADMINISTRATION SUPPORT TO  
DIYARBAKIR BATMAN SIIRT DP (USD)**

	ANNUAL
STAFF COST (COST TO ORGANIZATION-INCL OTHER EXPENSES TO MANAGE THE ADMINISTRATION OF DBSDP )	98,670
TRAVEL & DSA	20,000
COMMUNICATION & PR SERVICES	5,000
CO OPERATIONAL EXPENSES (OFFICE COST; RENT, UTILITIES, FURNITURE, COMPUTER etc)	4,950
<b>TOTAL ANNUAL DIRECT COSTS (ISS)</b>	<b>128,620</b>
<b>COUNTRY OFFICE ADMINISTRATION FEE (GMS) (1.0 % of ACTUAL DELIVERY)*</b>	<b>0-60,000</b>

**PROJECT BUDGET 30.09.2007 – 30.06.2012**  
**Diyarbakir Batman Siirt Development Project (DBSDP)**

ACTIVITY / Budget category	Total (US\$)
<b>ACTIVITY 1 – Infrastructure for Rural Improvement</b>	<b>7,685,636</b>
72100 <i>Civil Works (Contractual Svs-Companies)</i>	7,685,636
<b>ACTIVITY 2 - Awareness Raising and Farmer Education and Trainings</b>	<b>464,140</b>
72200 <i>Equipment and</i> 72300 <i>Materials</i>	464,140
<b>ACTIVITY 3 – Capacity Building</b>	<b>3,794,640</b>
72100 <i>National Workshops</i>	763,060
72100 <i>Training and Studies (Svc Co-Training &amp; Educ)</i>	3,031,580
<b>ACTIVITY 4 – Technical Assistance</b>	<b>1,265,190</b>
71200 <i>International Technical Assistance (International Consultants)</i>	406,790
71300 <i>National Technical Assistance (National Consultants)</i>	858,400
<b>ACTIVITY 5 – Rural Economic Growth</b>	<b>8,917,290</b>
72600 <i>Contributory Grant</i>	8,917,290
<b>ACTIVITY 6 – Project Organization and Administration</b>	<b>6,914,619</b>
71300 <i>Project Staff Salaries &amp; Allowances</i>	3,877,720
73500 <i>Implementation Support Services (ISS)</i>	643,100
72000 <i>Operating and Maintenance (Operating Expenses)</i>	692,370
74500 <i>Miscellaneous &amp; Unallocated</i>	1,701,429
<b>COUNTRY OFFICE ADMINISTRATION FEE; GMS (1.0%)*</b>	<b>~270,000</b>
<b>TOTAL PROJECT BUDGET (ESTIMATED)</b>	<b>29,311,515</b>

Project budget is subject to revision and allocation between categories/activities as needed/required.

\* Country Office Administration Fee figures are indicative. It is calculated based on 1.0% of disbursement through UNDP

According to Article III, Sections 3.03 and 3.07 of the Loan Agreement, the Borrower, through the Lead Project Agency, shall transfer available funds and other resources from the Special Account to the UNDP Project Account and authorizes UNDP to disburse payments on its behalf.<sup>14</sup>

Schedule of Budget Transfer for the Ministry of Agriculture and Rural Affairs and UNDP Diyarbakir Batman Siirt Development Project (DBSDP)		
DATE	INSTUTION	TOTAL (US\$)
2007	Government of Turkey	1,850,000.00
2008	Government of Turkey	4,850,000
2009	Government of Turkey	6,094,602
2010	Government of Turkey	6,394,602
2011	Government of Turkey	4,848,000
2012	Government of Turkey	4,522,311
<b>TOTAL</b>		<b>28,559,515</b>

<sup>14</sup> Project Loan Agreement (Diyarbakir Batman Siirt Development Project) between the Republic of Turkey and IFAD; dated 5 March, 2007. Article III "The Project".

## Annex 1

### **UNDP Partnership Framework and Distribution of Tasks and Responsibilities**

1. Reference is made to consultations between Ministry of Agriculture and Rural Affairs of Turkey, the National Executing Agent and officials of UNDP with respect to the provision of support services by the UNDP country office for the nationally executed "*Diyarbakir Batman Siirt Development Project.*"
2. In accordance with the provisions of the project document, the UNDP country office shall undertake the tasks and responsibilities as described below.
3. The distribution of tasks and responsibilities between MARA, PMUs in each project province (Diyarbakir, Batman, Siirt) and UNDP are as follows:

*Turkey – Diyarbakir-Batman-Siirt Development Project*  
**Annex I. Distribution of Tasks and Responsibilities**

Task	Responsibility		
	MARA	PMU	UNDP
<b>Financial Administration</b>			
AWPB	Review and approval	Preparation of the AWPB	Backstopping and quality control
Obtaining IFAD 'no objection' to AWPB		Submission of approved AWPB to IFAD	
Preparation and issuance of withdrawal applications	Preparation of the WA and submission to IFAD		Preparation and submission to MARA of financial data and supporting documentation
Transfer of funds	Transfer of proceeds of loan withdrawals to UNDP accounts		
Maintenance of separate ledger account for project funds		Maintaining of accounts for all project income and expenditure at local level	Maintaining of accounts for all project income and expenditure
Review of progress against AWPB and revision of budget	Review of quarterly progress reports	Arrangement of quarterly progress review meetings under PDA chairmanship; meetings to review and endorse the draft quarterly progress report on wards submission to project partners.	Furnish to PMU financial data for inclusion in quarterly progress reports. Review quarterly progress reports.
Audit			Contract independent auditors in accordance with UNDP auditing guidelines, and terms and conditions of the UNDP Service Agreement and the Loan Agreement

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	MARA	PMU	UNDP
<b>HR Management – PMU/individual consultants</b>			
Terms of Reference	Review and approval of TOR	Preparation of draft TOR	Assistant in the preparation of draft TOR Write-up and placement of advertisement
Advertising			
Shortlist		In collaboration with MARA, evaluate applications and prepare draft shortlist. Meet with UNDP to agree on final shortlist	Receipt of applications. Forward copies to MARA and PMU. Evaluate applications and prepare draft shortlist
Selection of staff/consultants	Participate in interviews, evaluation and selection of candidates in accordance with UNDP procedures.	Participate in interviews, evaluation and selection of candidates in accordance with UNDP procedures. Submit report on the selection process to IFAD	Arrange and participate in interviews, evaluation and selection of candidates in accordance with UNDP procedures. Preparation of report on selection process
Obtain IFAD 'no objection' to selection (if required)			
Contracting			Prepare and sign contract
Contract administration, including travel DSA, annual leave, etc.	Sign travel authorizations for Project Coordinator	Issue travel authorization to project staff and consultants	In charge of all matters of contract administration. Issue travel authorization for project coordinator and sign DSA payment.
Technical supervision and approval of consultants' output	Performance Evaluation of Project Coordinator	Project Coordinator approves performance evaluation reports and outputs and submits certificate of acceptance to UNDP	Payment of consultant contract upon receipt of certificate of acceptance. Manage all payroll functions for project staff. Assists in preparation of Project Coordinator's Performance Evaluation Report
Payment			Manage all payroll functions for staff and individual consultants

Turkey – Diyarbakir-Batman-Siirt Development Project

Local procurement	MARA	PMU	UNDP
Preparation of list of goods/services to be procured	Approval of the procurement plan	Preparation of the procurement plan in the AWBP	UNDP actively participate in all aspects of local procurement in accordance with UNDP Service Agreement
Detailed specifications		Elaboration of detailed specifications. Submit specifications to UNDP	Assistance and quality control.
Obtain IFAD 'no objection' to specifications (if required)		Submission of specifications to IFAD	
Bidding documents		Preparation of documents.	
Obtain IFAD 'no objection' to bidding documents (if required)		Submission of bidding documents to IFAD.	
Evaluation of bids and recommendation for award		Preparation of evaluation of bids and recommendation for award. Submission to UNDP.	
Obtain IFAD 'no objection' to award of contract (if required)		Preparation and submission of documentation on evaluation of bids and recommendation for award to IFAD.	
Contracting		Obtain contractor's signature. Return signed contract to UNDP together with invoice.	Preparation of contract and signature.
Supervision of works/ receipt and acceptance of goods and services		Supervision of works. Preparation of certification of receipt/acceptance and submission to UNDP together with signed contract and invoice	
Payment to supplier/contractor			Examination of documentation submitted by PMU. Effect payment
Register of contracts		Maintain register of local contracts	Enter contract details in the consolidated register of contracts and submit monthly updated register of contracts to IFAD

*Turkey – Diyarbakir–Batman–Siirt Development Project*

Procurement of large works and goods	MAR	PMU	UNDP
Preparation of list of goods/services to be procured	Approval of the procurement plan	Preparation of the procurement plan in the AWBP	Backstopping and quality control.
Detailed specifications		Elaboration of detailed specifications.	Examination and finalization of detailed specifications
Obtain IFAD 'no objection' to specifications (if required)		Submission of specifications to IFAD.	
Advertising (if required)			Write-up and placement of advertisement
Pre-qualification (if required)	Participation in evaluation of submissions	Participation in evaluation of submissions. Obtain IFAD 'no objection' to pre-qualification documents and final list of bidders	Preparation of pre-qualification documents. Write-up and placement of advertisement (invitation). Preparation of evaluation report and final list of bidders
Bidding documents			Preparation of documents in accordance with UNDP regulations
Obtain IFAD 'no objection' to bidding documents (if required)			Submission of bidding documents to IFAD.
Call for bids			Write-up and placement of advertisement (invitation) in accordance with UNDP regulations.
Evaluation of bids	Participation in evaluation of bids and recommendation for award.	Participation in evaluation of bids and recommendation for award.	Receipt and evaluation of bids in accordance with UNDP regulations. Preparation of evaluation report and recommendation for award
Obtain IFAD 'no objection'			Submission of evaluation report and recommendation for award to IFAD.
Contracting			Negotiation, preparation and conclusion of contract.
Register of contracts			Enter contract details in the register of contracts. Submit to IFAD monthly updated register of contracts



*Turkey – Diyarbakir-Batman-Siirt Development Project*

Inspection and shipment	Inspection of goods and equipment (if required)	Inspection of goods and equipment	Inspection of goods and equipment
Supervision of works		Supervision of works and consulting services Issue to UNDP certification of receipt/acceptance	Issue to contractor certification of receipt/acceptance Effect payment upon receipt of certification from PMU
Receipt and acceptance of goods/ acceptance of works and services Payment			

Notes:

\* PMU including Ankara based Project Coordinator; regions based Project Administrators, Rural Development Coordinators, Finance and Procurement Officers, secretaries and drivers.

\*\* The consultants who have less than three months contracts will not have per diem. The project staffs that have more than three months contracts are to be paid a travel allowance according to the UN rules and regulations but based on 60% reduced UN per diem rates.

## Annex II

### **NOTE on TERMS OF REFERENCE - KEY PERSONNEL**

The Terms of Reference for key personnel will be developed and finalized as part of Project start-up; at which time the Terms of Reference for other personnel will be drawn up, which is in accordance with the recommendations of the Appraisal Report. The services of personnel to be recruited competitively would be procured in accordance with IFAD and UNDP Guidelines for Procurement of Consulting Services. Appointments from within the MARA/PDA structure would be made following MARA and UNDP consultation with IFAD.

Other project staff or national/international consultants can be recruited when and per the DBSDP needs, as identified by the Project management structure and the PMUs.

### **Annex III: Supplemental Provisions**

#### **STANDARD LEGAL TEXT FOR NON-SBAA COUNTRIES**

This project document shall be implemented within the legal framework of inter alia the Revised Standard Agreement concerning Technical Assistance between the Government of Turkey and the United Nations Development Programme signed by the parties on 21 October 1965. In particular, the provision of Article V, paragraph 1, obligating the Government to apply the provisions of the Convention of Privileges and Immunities shall be deemed to apply mutatis mutandis to technical assistance carried out in accordance with this project.

COUNTRY: TURKEY


**Expected Outcomes:** Measures to diversify rural economy, increase competitiveness and productivity are strengthened through rural development; and individual and institutional capacity and employability enhanced with a view towards improving standards of living in the project region of Diyarbakir, Batman, and Siirt.

**Expected Output:** Rural development practices are strengthened and linkages to income-generating and profitable development opportunities in rural areas are established to improve market access; support entrepreneurship and local initiatives; and improve rural infrastructure.

**Implementing partner:** UNDP  
**Project Period:** 2007-2012  
**Project Title:** Diyarbakir Batman Siirt Development Project  
**Project Duration:** 6 YEARS  
**Management Arrangement:** NEX (Ministry of Agriculture and Rural Affairs)

<b>Total Budget (USD)</b>	<b><u>29,311,515</u></b>
Allocated resources:	
• Ministry of Agriculture and Rural Affairs (Government)	28,559,515
• UNDP - TRAC 1.1.1	752,000
GMS Fee	270,000

Agreed by Ministry of Foreign Affairs on behalf of the Government of Turkey:

  
R. Nihal ÇEVİK  
Head of Department  
Multilateral Economic Affairs

06 Sept. 2007

Agreed by Ministry of Agriculture and Rural Affairs:

  
Dr. Talat ŞENTÜRK  
Genel Müdür V.

Agreed by UNDP:

  
Mahmud A. Ayub

