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Report No: PAD3504

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF EUR 46.8 MILLION  
(US\$54.7 MILLION EQUIVALENT)

TO THE

THE REPUBLIC OF TURKEY

FOR AN

AGRICULTURAL EMPLOYMENT SUPPORT FOR REFUGEES AND TURKISH CITIZENS THROUGH  
ENHANCED MARKET LINKAGES

November 20, 2020

Social Protection and Jobs Global Practice  
Europe and Central Asia Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective October 31, 2020)

Currency Unit = Euro

EUR 0.86 = US\$1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ACC	Agricultural Credit Cooperative of Turkey
ACC-CU	Agricultural Credit Cooperative-Central Union
ACC-RU	Agricultural Credit Cooperative-Regional Union
ALMP	Active Labor Market Program
DA	Designated Account
DGMM	Directorate General of Migration Management
EHS	Environmental Health and Safety Guidelines
EOI	Expression of Interest
E&S	Environmental and Social
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESS	Environmental and Social Standards
ESSN	Emergency Social Safety Net
EU	European Union
FAO	Food and Agriculture Organization
FLFP	Female Labor Force Participation
FM	Financial Management
FRIT	EU Facility for Refugees in Turkey
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GIIP	Good International Industry Practices
GoT	Government of Turkey
GRM	Grievance and Redress Mechanism
IFAC	International Federation of Accountants
IFI	International Financial Institution
ILO	International Labour Organization
IRR	Internal Rate of Return
ISRS	International Standard on Related Services
IT	Information Technology
KfW	<i>Kreditanstalt für Wiederaufbau</i>
LFS	Labor Force Survey
LMP	Labor Management Procedures
M&E	Monitoring and Evaluation

MoAF	Ministry of Agriculture and Forestry
NES	National Employment Strategy
NGO	Nongovernmental Organization
NPV	Net Present Value
OHS	Occupational Health and Safety
OJT	On the Job Training
PAD	Project Appraisal Document
PDO	Project Development Objective
PFS	Project Financial Statements
PIU	Project Implementation Unit
POM	Project Operations Manual
PPL	Public Procurement Law
PPSD	Project Procurement Strategy for Development
RU	Regional Union
SEP	Stakeholder Engagement Plan
SOE	Statement of Expenditures
SRR	Social Rate of Return
SSI	Social Security Institution
STEP	Systematic Tracking of Exchanges in Procurement
SuTPs	Syrians Under Temporary Protection
TA	Technical Assistance
TRC	Turkish Red Crescent
UN	United Nations
VAT	Value Added Tax

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## DATASHEET

### BASIC INFORMATION

Country(ies)	Project Name		
Turkey	Agricultural Employment Support for Refugees and Turkish Citizens through Enhanced Market Linkages		
Project ID	Financing Instrument	Environmental and Social Risk Classification	Process
P171543	Investment Project Financing	Substantial	Urgent Need or Capacity Constraints (FCC)

### Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
20-Nov-2020	31-Dec-2022

Bank/IFC Collaboration

No

### Proposed Development Objective(s)

To improve the conditions for formal agricultural employment opportunities in selected host communities

### Components

Component Name	Cost (US\$, millions)
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Enhancing employment opportunities through contract farming	41.12
Increasing demand for contract farming	3.51
Implementation support and institutional capacity building	10.08

## Organizations

Borrower:	Agricultural Credit Cooperatives Central Union
Implementing Agency:	Agricultural Credit Cooperatives Central Union

## PROJECT FINANCING DATA (US\$, Millions)

### SUMMARY

Total Project Cost	54.70
Total Financing	54.70
of which IBRD/IDA	0.00
Financing Gap	0.00

### DETAILS

#### Non-World Bank Group Financing

Trust Funds	54.70
European Commission Development Fund - TF	54.70

#### Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2020	2021	2022	2023
Annual	0.00	15.00	15.00	24.70
Cumulative	0.00	15.00	30.00	54.70

## INSTITUTIONAL DATA

Practice Area (Lead)	Contributing Practice Areas
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Social Protection & Jobs

Agriculture and Food

### SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● High
7. Environment and Social	● Substantial
8. Stakeholders	● Low
9. Other	
10. Overall	● Substantial

### COMPLIANCE

#### Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No





## Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

## Legal Covenants

### Sections and Description

To facilitate implementation of Part 2 of the Project, the Recipient shall, within ninety (90) days of the Effective Date, adopt a Small Grants Manual and incorporate it into the Project Operations Manual. The Small Grants Manual shall cover, inter alia, the selection and financing of Subprojects through Small Grants and terms and conditions of Small Grant Agreements, including procedures on handling potential conflicts of interests.

### Sections and Description

No later than thirty (30) days after the Effective Date, the Recipient shall establish, maintain and publicize the availability of: (a) grievance redress mechanism, as described in the SEP, and (b) grievance redress mechanism for Project workers, as described in the Labor Management Procedures, both in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanisms in a manner satisfactory to the Bank.



Conditions	
Type Effectiveness	Description The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and corporate actions.
Type Effectiveness	Description Recipient's Board of Directors has issued a directive directing Regional ACCs and Primary ACCs to implement the Project in accordance with the ACC-CU's instructions and circulars and consistent with the terms of this Agreement.
Type Effectiveness	Description The Recipient has established the Project Implementation Unit to the satisfaction of the Bank.
Type Effectiveness	Description The Recipient has adopted the Project Operations Manual to the satisfaction of the Bank.
Type Effectiveness	Description The Recipient has received the exemption from Value Added Tax ("VAT") for the Project from the Ministry of Finance of the Republic of Turkey.
Type Disbursement	Description Notwithstanding the provisions of Part A of this Section no withdrawal shall be made: (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed EUR 525,500 may be made for payments made prior to this date but on or after September 29, 2020, for Eligible Expenditures under Category 1. (b) under Category 2 until the Recipient has adopted a Small Grants Manual and incorporated said Small Grants Manual as part of the Project Operations Manual.



## I. STRATEGIC CONTEXT

### A. Country Context

1. **Turkey has high growth potential, but recent shocks have affected the sustainability of its economic gains since the early 2000s.** After the Global Financial Crisis in 2008–2009, growth has been increasingly fueled by credit booms and rapid accumulation of (mostly foreign exchange) private sector debt, together with short-term stimulus policy. These led to growing imbalances and declining productivity. The situation was compounded by exogenous factors including multiple election cycles, regional conflict, and difficult international relations. The ensuing volatility in growth has affected the sustainability of Turkey's economic gains.
2. **Economic vulnerabilities that had accumulated over the past four years came to a head in mid-2018.** Policy stimulus in the aftermath of the 2016 failed coup attempt led to economic overheating. Though growth accelerated to 7.4 percent in 2017, this came at a cost of double-digit inflation and a large current account deficit. A hardening of external economic conditions in mid-2018, together with tense international relations, led to a collapse in the lira. This profoundly affected the real and financial sectors. Corporates and banks suffered due to high foreign exchange debt, annual inflation peaked at 25 percent in October 2018, the economy went into recession in 2018, and unemployment spiked from 10 percent in January 2018 to 14 percent in June 2019.
3. **The Turkish economy over the past 12 months has experienced major adjustments.** Current account imbalances have declined, banks have reduced their external exposure, and portfolio flows have started to recover. These adjustments have lessened external vulnerabilities that had accumulated in the run up to the August 2018 currency shock. They have also contributed to a more stable lira, notwithstanding bouts of currency volatility. These developments were supported by some agile policy responses and accommodative global monetary conditions following signs of slowdown in developed economies. Even so, foreign exchange reserves have gotten eroded over the past two years, exposing Turkey to external market pressure.
4. **Stagnating output, high costs of production, and high consumer prices have led to significant job losses and falling real wages.** Turkey's economy lost over 800,000 jobs between 2018 and 2019. Unemployment among the youth is particularly high, jumping from 19 percent to 25 percent between May 2018 and May 2019. Average real wages declined by 2.6 percent between 2017 and 2018, though they have picked up more recently due to adjustments to the minimum wage. Poorer households have been most impacted because many low-income workers are employed in construction and agriculture—the sectors that saw the biggest decline in jobs. Moreover, the long-term impact of the real wage effects is greater for the poorest households since they have limited coping mechanisms.
5. **The high uncertainty associated with COVID-19 exacerbates Turkey's economic and demographic challenges, which are particularly evident since the downturn in economic growth experienced in 2018.** The COVID-19 outbreak is straining healthcare and public health systems, while measures to contain its spread are resulting in an economic slowdown and threatening the economic security of many of its citizens, particularly those with low incomes. The more prolonged the situation, the more significant the effects will be both on the health of the population as well as the economy. This



will, in turn, place additional strain on public services including the public health system and requires preparation in terms of physical, human, and financial capacity nationwide. While the toll the pandemic ultimately takes on the country will not be clear for some time, a strong, coordinated institutional response is critical to both containing the spread of COVID-19 and working to limit the adverse social and economic effects.

6. **Turkey is both a transit and reception country for migrants and refugees and, globally, the country hosts the highest number of refugees.** As a result of the crisis in its southern border with Syria, Turkey has been hosting an increasing number of refugees and foreigners seeking international protection. In addition to hosting more than 3.6 million Syrians,<sup>1</sup> who are under temporary protection, there are an estimated 400,000 asylum seekers and refugees from other nationalities. The country's refugee response has been progressive and provides a model to other countries hosting refugees. However, the magnitude of the refugee and migrant influx continues to pose substantial development consequences for not only the displaced but also the communities into which they settle, contributing to the expansion and overcrowding of settlements, increased demands for urban services, additional pressure on infrastructure, conflicts over land, and increased competition for employment, housing, and social services. These stresses, which have been exacerbated by the COVID-19 pandemic, stretch the limited capacity of local governments and other service providers. Apart from the large cities such as Ankara, İstanbul, and İzmir, many of the cities hosting a high concentration of Syrians are already located in the more vulnerable or disadvantaged provinces in Turkey, which exacerbates development challenges.

7. **The Government of Turkey (GoT) spent an estimated EUR 31 billion to meet the needs of refugees and hosting communities from the beginning of the Syrian crisis to 2017.**<sup>2</sup> This includes the provision of free healthcare and education possibilities, as well as allowing legal access to the labor market. The international community has also provided over EUR 4 billion since 2016, of which 95 percent is from the European Union (EU).<sup>3</sup> This includes the first tranche of the EU Facility for Refugees in Turkey (FRiT), which is a EUR 3 billion fund launched in 2016, designed to support the GoT hosting refugees; EUR 600 million EU support outside of the FRiT; and over EUR 400 million in bilateral support from EU countries. Other donors; United Nations (UN) agencies; international, national, and local civil society organizations; as well as International Financial Institutions (IFIs) have also been playing an important role in Turkey's refugee response, implementing a diverse range of programs and projects, accounting for over EUR 200 million. Starting in 2016, the first tranche of this support focused primarily on providing humanitarian aid in the form of Emergency Social Safety Net (ESSN) Program to around 1.5 million refugees as well as interventions in health, education, and labor markets in partnership with the World Bank and other international development institutions.<sup>4</sup> These efforts have also been geared toward

<sup>1</sup> The terms "Syrians" and "refugees" are used in terms of sociological context and widespread daily use, and independent of the legal context in Turkey and Turkish Law. Turkey is a party to the 1951 Refugee Convention and 1967 Protocol. Turkey retains a geographic limitation to its ratification of the 1951 UN Convention on the Status of Refugees, which means that only those fleeing as a consequence of "events occurring in Europe" can be given refugee status. Syrian nationals, as well as stateless persons and refugees from Syria, who came to Turkey due to events in Syria after April 28, 2011 are provided with temporary protection.

<sup>2</sup> European Commission. 2018. *Technical Assistance to the EU Facility for Refugees in Turkey – Updated EU Needs Assessment*. Refer to [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/updated\\_needs\\_assessment.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/updated_needs_assessment.pdf)

<sup>3</sup> Ibid.

<sup>4</sup> World Bank projects under the first tranche of FRiT are: Development of Businesses and Entrepreneurship for Syrians under Temporary Protection and Turkish Citizens Project (P168731), Employment Support Project for Syrians Under Temporary Protection and Turkish Citizens (P161670), Strengthening Economic Opportunities for Syrians Under Temporary Protection and Turkish Citizens in Selected Localities (P165687), and Education Infrastructure for Resilience - EU Facility for SuTP (P162004).



facilitating refugee access to existing public services while strengthening the capacity and responsiveness of state institutions at the national and local levels. The Government, with the support of its development partners, now aims to move beyond a humanitarian response to a developmental response to the refugee crisis, with a strong focus on integrating refugees into the labor market.

## B. Sectoral and Institutional Context

8. **Moving beyond humanitarian assistance to integrating refugees into the formal labor market has emerged as an important policy priority, but a significant share of refugees remain in the informal sector.** The GoT aims to enable Syrians under Temporary Protection (SuTPs) to become economically active, improve their living and working conditions, graduate from social assistance, and contribute to the Turkish economy. To this end, since 2016, the GoT has allowed SuTPs to obtain work permits and thus work formally. Despite this policy commitment, available evidence suggests that most refugees work in the informal sector, particularly those in rural areas and the agricultural sector. The Turkish Red Crescent (TRC) Livelihoods Survey (2018) found that around 86 percent of the refugee population works in informal jobs and the EU estimates that up to 950,000 SuTPs currently work in the informal sector.<sup>5</sup>

9. **A combination of demand and supply factors contribute to the problems that refugees face in accessing formal employment.** On the supply side, low levels of education and skills and informational and language barriers pose challenges in access to the formal labor market. Available evidence suggests that the education and skills levels of refugees are low, for example, with around 15 percent having at most a high school degree among Syrian ESSN beneficiaries, and the majority of these degrees are from Syria.<sup>6</sup> Additionally, among ESSN beneficiaries, 14 percent have no formal education and 39 percent have only attended primary school.<sup>7</sup> The eligibility criteria for the ESSN also disincentivize refugees from pursuing and accepting formal employment, as they would risk losing their social assistance support. On the demand side, employers may find it relatively more difficult to verify the skill levels, and therefore expected productivity, of refugees.<sup>8</sup> This is especially true in the case of SuTPs who could not bring their degrees or certifications with them to Turkey. As a result, employers may not be willing to pay as high as the official minimum wage and the premiums and taxes associated with formally registering workers.

10. **The inflow of refugees may have affected the access of Turkish citizens to jobs in the informal sector, resulting in growing social tension among refugees and host communities.** Recent assessments indicate that the inflow of refugees has led to the displacement of Turkish citizens from the informal labor market.<sup>9</sup> In certain sectors, Turkish workers displaced from informal jobs have moved to formal jobs, but these tend to be host community workers with higher education levels. These disruptions have disproportionately affected certain segments of the population including women and low-skilled men. Such displacement of Turkish citizens from the labor markets presents a threat to social cohesion, with

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<sup>5</sup> TRC Livelihood Survey 2018; International Crisis Group. 2018. *Turkey's Syrian Refugees: Defusing Metropolitan Tensions*. Europe Report No. 248.

<sup>6</sup> TRC Livelihood Survey 2018.

<sup>7</sup> Turkish Red Crescent. 2018. *Livelihoods Analysis*. Unpublished.

<sup>8</sup> Without a certification of skills, employers may also be more likely to statistically discriminate against refugees. Taste-based discrimination can also be another factor inducing employers to pay less wages to an otherwise similarly skilled refugee (see Becker 1971).

<sup>9</sup> Del Carpio, X., and M. Wagner. 2015. "The Impact of Syrian Refugees on the Turkish Labor Market." World Bank Policy Research Working Paper No. 7402.



increasing resentment toward Syrian refugees among the local population.<sup>10</sup> Existing surveys as well as consultations with local governments and agencies point to the risk of tensions between refugees and host communities as refugees work informally and at lower wages. It is therefore critical to develop a strategy to support the integration of refugees into the Turkish economy while at the same time improve the labor market prospects of Turkish citizens in the informal sector.

**11. Given the relatively low skill levels among refugee workers, the agricultural sector has the potential to absorb a significant share of the refugee population.** While the share of agriculture in gross domestic product (GDP) in Turkey has been declining, falling from 12 percent in 1998 to 6 percent in 2017, agriculture still represents about 20 percent of the employment (5.5 million people) with an annual production of approximately US\$16 billion. Working in the sector does not require higher levels of education or skills, and the skill levels of current workers in agriculture is low: over 70 percent having completed at most five years of schooling as compared to 29 percent on average in the other sectors, and only 11 percent with a high school degree or above as compared to 52 percent on average in the other sectors.<sup>11</sup> While refugees may be less competitive for jobs in manufacturing or services given their relatively low skills composition, agriculture is well suited to provide them with employment opportunities. This potential is further reinforced by the existing exemption of work permit requirements for refugees working in agriculture<sup>12</sup> and that the agricultural sector has been declared an essential service and has continued to operate during the COVID-19 pandemic.

**12. Long-standing structural, institutional, and policy constraints limit the ability of the agricultural sector to generate additional on-farm employment and provide favorable working conditions.** Estimates suggest informality rates in the sector of over 80 percent<sup>13</sup> even before the influx of refugees. The seasonal nature of work in the sector and the use of intermediaries (labor brokers) to hire workers on a day-to-day basis, combined with the costs of registration and formal contracts, provide little incentive for employers to fully formalize themselves and the workers they employ. Further long-standing structural, institutional, and policy constraints such as low productivity, limited domestic market integration, and distinct dualistic pattern in farm structures act as a binding constraint on growth and employment generation. These factors result in unfavorable working conditions, including wages often below the national minimum and inadequate worker protection, including some use of child labor. More recently, there is some suggestion that farmers are finding it increasingly difficult to attract Turkish workers who are willing to work in the sector;<sup>14</sup> and farmers report that among those people who are willing to work, they lack the relevant skills for the task, which leads to crop losses.<sup>15</sup>

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<sup>10</sup> Erdogan, M. 2014. *Syrians in Turkey: Social Acceptance and Integration Research*. Migration and Politics Research Centre, Hacettepe University.

<sup>11</sup> Source: Turkish Statistical Institute Household Labor Force Survey, 2018. Household Labor Force Survey collects information from a representative sample of registered household residents living in Turkey, but the coverage of refugee population is thought to be extremely low as many of them are not registered residents in households and lack Turkish language skills to respond to the questionnaire.

<sup>12</sup> Those in refugee status do not need to obtain work permits to work as agricultural seasonal workers.

<sup>13</sup> Source: Turkish Statistical Institute Household Labor Force Survey.

<sup>14</sup> These reports are reflected in the sectoral distribution of workers by age groups, which suggests that Turkish youth have been shifting out of agriculture: less than 10 percent of Turkish youth is employed in the agricultural sector as opposed to 50 percent for the older age groups.

<sup>15</sup> Limited data are available for the agriculture sector in Turkey due to very high informality, and findings rely heavily on the interviews with farmers in the field that were carried out as part of project preparation.





13. **While the agricultural sector provides support mechanisms for farmers, these interventions aim to reduce the costs of production and do not incentivize skills development or formal employment of agricultural workers.** The GoT provides area-based agricultural support payments, deficiency payments, livestock support payments, agricultural insurance support services, and project-based rural development support. The National Agricultural Policy of November 2016 states that the main objective of these policies is to ensure food security in Turkey. In other words, policies focus on reducing the costs of farmers while neither aiming to improve the productivity nor the working conditions of agricultural workers. Indeed, analysis shows that these subsidies create distortions that work against productivity improvements and competition and tend to be regressive.<sup>16</sup> In addition, agricultural employers are largely exempt from labor market regulations and seasonal agricultural employment is out of the scope of formal employment requirements, implying that in their current form the Government's employment subsidies<sup>17</sup> do not apply to the agricultural sector.

14. **While in principle the influx of refugees should benefit Turkish farmers by lowering wages, some evidence suggests that farmers are concerned about the lack of technical and soft skills among the refugee workforce.** The arrival of refugees has benefited some Turkish farmers on account of access to a new pool of labor, lower wages, and a boost in production.<sup>18</sup> However, as the majority of the refugee population is unskilled, this has not contributed to addressing the significant shortages of skilled and semi-skilled labor reported in agriculture.<sup>19</sup> Interviews carried out in the field indeed indicate that farmers are concerned with the quality of the work of refugees, lack of language skills and unfamiliarity with agricultural work, and their commitment to regular work.<sup>20</sup> Refugees rely almost completely on intermediaries for communication and matching with agricultural employers due to language barriers, work for even lower wages and sometimes live under unfavorable conditions, such that a portion of the refugee families working in agriculture live in tents provided to them by the landowners without access to heat or running water.<sup>21</sup> Many employers state their willingness to provide training for refugees but cite a lack linkages to relevant training institutions.<sup>22</sup> Putting in place interventions to bridge the skills gap will enable Turkish farmers to benefit from the availability of a large, low-cost labor pool.

15. **The proposed project aims to support the integration of low-skilled refugees and host community workers into the labor force in the agriculture sector.** Given the existing high informality,

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<sup>16</sup> World Bank. 2018. *Leveraging Farmer Organizations to Improve the Efficiency of Agricultural Value Chains in Turkey. Summary of Findings and Recommendations*. Draft. Washington, DC: World Bank.

<sup>17</sup> In 2019, the GoT implemented over a dozen subsidies to cover a part (but not all) of the registration costs for formal employment. Generally, these subsidies are used as a means to reduce the high formalization costs for employers, as social security premiums alone cost more than 36 percent of the gross wage, with additional costs for income and stamp taxes. Wage subsidies that cover part of the net wage are limited and apply primarily to cover the increase in employers' costs with the particularly high increase in the minimum wage in recent years.

<sup>18</sup> A study in 2016 by the nongovernmental organization (NGO) Development Workshop titled 'Seasonal Agricultural Production Report on the Current Situation in Turkey, Foreign Migrant Workers' states that Syrian refugees settling in the region positively affected agricultural production and reduced labor wages leading to increased production in Mersin and Adana.

<sup>19</sup> Studies find labor shortages in agriculture, particularly in the areas of livestock care and maintenance, orchard/plantation management and harvesting (citrus and olive), meat processing, greenhouse operation and maintenance (cut flowers and vegetables), and post-harvest processing and packaging. FAO (Food and Agriculture Organization of the UN). 2018. *Turkey: Syrian Refugee and Resilience Plan 2018–19*. FAO, page 5.

<sup>20</sup> Interviews with farmer members of Agricultural Credit Cooperatives (ACCs) carried out during project preparation.

<sup>21</sup> Development Workshop. 2016. "Fertile Lands, Bitter Lives: The Situation Analysis Report on Syrian Seasonal Agricultural Workers in the Adana Plain."

<sup>22</sup> FAO (Food and Agriculture Organization). 2018. *Turkey: Syrian Refugee and Resilience Plan 2018–19*. FAO, pages 5–6.



high presence of low-skilled refugees, and low incentives to move toward formalization in the agricultural sector in Turkey, the proposed project takes a holistic approach. To achieve its objective, the project proposes combining demand- and supply-side interventions in line with evidence on international best practice, instead of implementing isolated measures to encourage farmers to create formal employment or support workers to access possible jobs options. On the supply side, for higher-skilled workers and those with more regular employment, a near future step on the pathway toward formalization is enrollment in Turkey's social insurance scheme within the Social Security Institution (SSI). For refugees, particularly those who are unskilled, this pathway might be longer, as practice suggests that they may initially fill the demand for unskilled casual labor. Enhancing their soft and technical skills, providing relevant training, and improving their knowledge of their rights under Turkish law is anticipated to result in better employment conditions and to position them toward securing registration and working status through a work permit or waiver, thus moving them toward formalization.

**16. Improving employment opportunities requires addressing demand-side constraints in agriculture, including low productivity and limited integration with domestic and international markets.**

Given their structure and mandate, farmer organizations such as the Agricultural Credit Cooperative (ACC) can help overcome some of these constraints.<sup>23</sup> By ensuring market linkages, the ACC can help farmers meet quality standards, move into higher-value crops, and access new markets. Such efforts can be further amplified through the use of contract farming.<sup>24</sup> Because the commodity types, volumes, and the quality of the product are determined in advance, contract farming can (a) incentivize farmers to increase higher-quality production by guaranteeing a market, which would in turn increase the demand for agricultural labor and (b) shift agricultural production toward higher-quality crops, which would demand improved farming practices and more skilled labor. To this end, Turkey's New Economic Program aims to promote the greater use of contract farming by farmer organizations. The ACC is playing a leading role in the achievement of this policy objective, having negotiated new agreements with private retailers, processors, and associations to create a market for contract farming products. As a result, the volume of products produced through contract farming arrangements by ACC members has increased and is projected to rise further (see Annex 1). In this way, contract farming through ACCs can increase the demand for more skilled on-farm employment and help create a pathway toward formal employment in the agricultural sector.

**17. The proposed project will contribute to the GoT's refugee crisis response by supporting refugee and host communities to access sustainable livelihoods and employment opportunities in the agricultural sector.**

The proposed project will focus on addressing the informality among the refugee population and in agricultural employment more broadly by providing incentives to employers to formally employ workers and upgrade their skills to improve their productivity, as well as provide necessary complementary interventions to increase the demand for labor. By extending contract farming, the proposed project will focus on increasing on-farm and off-farm formal agricultural employment of refugees and Turkish citizens through enhanced agricultural value chain linkages and skills development in line with the specific needs of the sector in the selected provinces. Beyond the direct benefits to

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<sup>23</sup> The ACCs are comprised of primary cooperatives, Regional Unions (RUs), and a Central Union (CU). See paragraph 69.

<sup>24</sup> Contract farming can be defined as an agreement between farmers and processing and/or marketing firms for the production and supply of agricultural products under forward agreements, frequently at predetermined prices. See Annex 1 for more information.





refugees and Turkish citizens, the project is also anticipated to inform the Government's strategy for graduating SuTPs from the ESSN and for promoting employment in agriculture.

18. **This is part of a broader effort of the GoT and European Commission to improve the labor market outcomes of refugees and Turkish citizens living in host communities as part of the ongoing refugee response.** In line with the changing government priorities from a humanitarian to a development approach, the World Bank will support five FRIT-funded projects that aim to address gaps in urban infrastructure, provide access to economic opportunities, improve the employability of refugees and Turkish citizens, and increase job creation in host communities.<sup>25</sup> Three of the five projects together aim to support improved labor market outcomes for refugees and host communities.<sup>26</sup> The primary focus of the two other World Bank-executed projects is to support formal employment creation for refugees and Turkish citizens in the urban sector by (a) using a mix of supply-side interventions including on the job training (OJT), counseling, and intermediation support services<sup>27</sup> and (b) demand-side interventions aimed at addressing financial barriers faced by firms.<sup>28</sup> However, as discussed in the sections above, there is also an urgent need to increase the rate of formal job creation and improve the working conditions of refugees and Turkish citizens residing in rural areas and working in the agricultural sector, and the proposed project aims to fill this gap.

19. **The three World Bank-executed projects are therefore strategically designed with the overarching objective of supporting both refugees and Turkish citizens in areas where the influx of refugees has significantly affected the labor market.** Specifically, they combine labor demand and supply-side interventions and urban and rural approaches and affect formal and informal workers. All three projects also seek to support the overall goal of helping refugees, particularly those supported by the ESSN, to transition to sustainable livelihoods and income-generating opportunities, including formal jobs. The three operations will focus on those provinces where nearly 80 percent of refugees reside, implying a high coverage potential of refugees with different skills and needs.

20. **In recognition of the urgency of the refugee situation in Turkey, the proposed project is being processed under the World Bank's emergency procedures.** The proposed project is being processed under the condensed procedures provided for in paragraph 12 of *OP 10.00: Projects in Situations of Urgent Need of Assistance or Capacity Constraints* to support Turkey's response to the ongoing Syria-related refugee crisis. This crisis has created an urgent need for financial assistance to alleviate severe capacity

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<sup>25</sup> By setting these objectives, the three projects will directly contribute to achieve the specific goals of the four priorities defined by FRIT II: (a) skills development in line with labor market needs, (b) ensuring and increasing of formal employment and entrepreneurship, (c) improvement of the labor market cohesion, and (d) specific interventions in the agriculture and forestry sector. Additionally, proposals should target both the refugee caseload of the ESSN program as well as host communities and refugees outside the scope of ESSN. Secretariat of the Facility for Refugees in Turkey European Commission. 2019. *Call for Expression of Interest for Entities to be Entrusted with Part of Implementation of the Second Tranche of the Facility for Refugees in Turkey in the Field of Socio-economic Support: Guidelines*.

<sup>26</sup> These are the projects proposed in this PAD, Turkey: Support for Transition to Labor Market for People under Temporary and International Protection and Turkish Citizens Project (P171471) and Formal Employment Creation for Refugees and Turkish Citizens Project (P171766).

<sup>27</sup> Turkey: Support for Transition to Labor Market for People under Temporary and International Protection and Turkish Citizens Project (P171471).

<sup>28</sup> Formal Employment Creation for Refugees and Turkish Citizens Project (P171766).



constraints to managing a range of social- and economic-related risks associated with the refugee crisis in refugee-hosting regions and communities across Turkey.

### C. Relevance to Higher Level Objectives

21. The proposed project aims to contribute toward the GoT's response to the refugee crisis and is consistent with key national policies, including the following:

22. **Turkey's Syrian Refugees Response Program**, which is supported by the Government, the EU, the World Bank, and other donor agencies. The proposed project will directly complement the EU-funded programs and actions focused on skills development training and the improvement of the conditions for refugees to access the labor market through job creation (see section B).

23. **Turkey's 11<sup>th</sup> Development Plan (2019–2023)**, prepared by the Strategy and Budget Unit of the Presidency, identifies the policy framework, objectives, and tools for Turkey. Agriculture is one of the priority development areas and the objective is to provide an efficient and environmentally, economically, and socially sustainable agriculture sector. In addition, the plan puts forward specific objectives to reduce informal employment and to provide alternative policy measures to improve employability of vulnerable groups.

24. **Turkey's National Employment Strategy (NES)** aims to tackle the structural problems of informal employment in the Turkish labor market. The targets of the proposed project are aligned with the NES targets regarding informal employment and agricultural employment: (a) provision of basic on-the-job and vocational training for agricultural workers, (b) complete elimination of child labor in the sector, and (c) reduction of informal employment from 83.6 percent to 50 percent until 2023.

25. **Turkey's ESSN Exit Strategy**, which was prepared by the GoT (2018), calls for supporting a share of existing beneficiaries to become employable and eventually self-reliant by integrating them into the labor market. Recognizing the challenges with the demand and supply side, the strategy suggests mobilizing multiple channels for providing employment support. For this, in addition to the Turkish Employment Agency (İŞKUR.), the strategy sees a strong role for organizations such as the ACC to promote formal employment in rural areas, as well as institutions such as Kizilay (TRC) to provide special and intense support complementary to employment support for the target population.

26. The proposed project is well aligned with the **World Bank-Turkey Country Partnership Framework 2018–2021**,<sup>29</sup> specifically objective 5, which is to promote inclusion and productive individuals by creating good jobs for increasing numbers of people of working age through (a) greater inclusion of women, youth, and SuTP in the labor market and (b) better education and skills development outcomes. It also aligns well with CPF objective 9 "increased sustainability of infrastructure assets and natural capital," as the project aims to support sustainable use of agricultural lands through environmentally friendly farming practices.

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<sup>29</sup> World Bank. 2017. *Country Partnership Framework for the Republic of Turkey for the Period FY18–FY21*. Report No. 11096-TR. Washington, DC: World Bank.



## II. PROJECT DESCRIPTION

### A. Project Development Objective

#### PDO Statement

27. The Project Development Objective (PDO) is to improve the conditions for formal agricultural employment opportunities in selected host communities.

#### PDO-level Indicators

28. The achievement of the PDO will be measured by the following indicators:

- (a) Number of workers who received certified training, by type of training and refugee, non-refugee status, to assess the greater employability of workers.<sup>30</sup>
- (b) Number of formal jobs created,<sup>31</sup> by refugee, non-refugee status, which reflects the increased availability of formal jobs.
- (c) Number of employers participating in the project, which measures the increase in demand for skilled workers among farmers.
- (d) Number of ACC members entering into contract farming in primary ACCs participating in the project, which measures the increase in demand for contract farming.

### B. Project Components

29. The proposed project will achieve its development objective through three sets of activities: (a) improving the employability of and facilitating the transition into formal employment opportunities for Turkish citizens and refugees working in rural host communities in selected provinces, (b) strengthening the demand for contract farming among ACC member farmers, and (c) providing implementation support and capacity building for the ACCs. The sections below describe the three components through which these activities will be delivered:

**Component 1: Enhancing employment opportunities through contract farming** (EUR 35.21 million; US\$41.12 million equivalent)<sup>32</sup>

30. This component seeks to improve the employability of and create formal employment opportunities for Turkish citizens and refugees working in rural host communities in selected provinces. The proposed project will achieve this objective by implementing a set of integrated measures aimed at increasing productivity of agricultural workers while supporting farmers to engage in formal contracts

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<sup>30</sup> This indicator is disaggregated according to the monitoring framework of the European Union for FRIT-II.

<sup>31</sup> Formal jobs are defined as the provision of a wage subsidy. Upon confirmation that the ACC will be delegated the privilege for OJT, the project will be restructured to add a new indicator tracking the number of OJT participants. See paragraph 36(c).

<sup>32</sup> This component combines Components 1 and 2 from the Expression of Interest (EOI) that was submitted to the EU. The amounts stated in this document are exclusive of value added tax (VAT).



with better-skilled labor force. Specifically, the proposed project will enhance the demand for and supply of labor in the selected provinces by (a) increasing the skills of rural refugees and Turkish citizens based on market demand in the agricultural sector and (b) improving the productivity of farmers by extending ACCs' contract farming and through access to more qualified workers, while providing incentives to farmers to offer formal jobs. This component also aims to improve the quality of matching between employers and workers in the context of rural employment. Therefore, the project will increase the employability of refugees and poor Turkish citizens through comprehensive training and skills development; and for a subset of these beneficiaries, the project will provide the opportunity to be hired as formal employees, further increasing their employability and experience after the intervention and enhancing their opportunities to find other formal opportunities.

31. This component will be implemented through the signing and execution of contract farming schemes by the primary ACCs with its member farmers.<sup>33</sup> Given the innovative nature of this component, the monitoring and evaluation (M&E) initiatives included in Component 3 will inform implementation and, as needed, modifications to design parameters.

32. **Subcomponent 1.1: Improving the skills and employability of agricultural workers.** The objective of this subcomponent is to support existing and potential rural workers in host communities to improve their employability. In doing so, the proposed project will support the implementation of a comprehensive training program linked to agricultural market needs and tailored to the existing conditions of eligible workers. The project will ensure that employers participating in contract farming will have access to a pool of skilled (certified) workers, which is expected to boost productivity of farms. At the same time, greater employability through better skills is likely to enhance workers' options to find formal jobs. Improving employability and skills of workers will be achieved through the implementation of the program cycle described in the following paragraphs.

33. **Outreach and registration.** This subcomponent will finance (a) an outreach strategy to inform, raise awareness, and support the enrollment of eligible beneficiaries in the training program and (b) referral to the ACC (primary ACCs) for the activities outlined below or referral to other services, such as to İŞKUR or to social assistance services, depending on the profile of beneficiaries (as detailed in the next paragraph). The outreach activities will focus specifically on rural areas. Based on the justifications presented in the Project Procurement Strategy for Development (PPSD), it was agreed that the outreach activities will be outsourced to the TRC on a sole source basis as per paragraphs 25 and 26 of Annex 2.

34. **Needs assessment.** The project will support the CU's assessment of current shortages in technical skills among workers and skills in demand by farmers, focusing on crops that are suitable for contract farming in the selected provinces. This analysis will inform the design and delivery of the skills development training program (see paragraph 35).

35. **Profiling.** Once beneficiaries are referred to primary ACCs to participate in the proposed project, the ACC Central Union (ACC-CU) will profile potential workers to assess their skills and experience.<sup>34</sup> This profiling tool will include basic information on workers' demographic characteristics and education level,

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<sup>33</sup> Contract farming is defined in paragraph 17 and the ACC's contract farming scheme is described in Annex 1 of this PAD.

<sup>34</sup> Data will be collected by the primary ACCs or regional offices and entered in the MIS; the ACC-CU will analyze the MIS and send the results back to the primary ACCs for communication to the beneficiaries.



experience in agriculture and other sectors, and workers' preferences regarding the type of work to be conducted in agriculture. The aim of the profiling exercise is to categorize the beneficiary worker pool according to the employability and skills (unskilled agricultural workers, skilled agricultural workers with higher potential to work in formal jobs, workers with skills in other sectors or professions, and beneficiaries with low employability). Each of these categories will then be referred to the best available employment option (including referrals to İŞKUR when appropriate to participate in its programs). The process by which beneficiaries are profiled, including the profiling tool, will be detailed in the Project Operations Manual (POM).

36. **Skills development and training.** This activity will contribute to increasing technical as well as soft skills among beneficiaries based on market demand. For refugees, it will also contribute toward ensuring that refugees acquired at least basic Turkish language abilities. To this end, the project aims to extend an approach to training that has proven to be effective in jobs projects around the world to the specific context of the agricultural sector in Turkey; the training will be designed to respond to the skills demands of employers (through the needs assessment described above), and delivered by the private sector. Based on this needs assessment, the training development and delivery will be outsourced by the ACC-CU to specialized and certified training providers in the selected provinces. The training providers will deliver the trainings to beneficiaries based on these curricula and pay daily stipends to beneficiaries participating in the training.<sup>35</sup> Beneficiaries will be asked to provide feedback to the providers immediately after each of the training sessions and the overall quality and effectiveness of the training will be regularly assessed through the M&E subcomponent of the project, with the findings informing the delivery of future training sessions. If this approach proves to be effective, it is possible that the ACC itself would take up this training model or the Government more broadly beyond the lifespan of the project.

- (a) **Soft skills.** All trainees will receive a soft skills or life skills training adapted to the rural employment and, as appropriate, specifically tailored to refugees. Beneficiaries will receive training on soft skills or life skills to improve worker adaptation to the agriculture context and on-the-job behaviors that are expected by Turkish employers. The ACC-CU will outsource the delivery of this training to an experienced service provider.
- (a) **Technical training.** The technical skills on which the training will be conducted will be identified following the demand-side skills needs assessment previously completed and the modules will be designed accordingly. Among the set of technical skills identified by the skills assessment, priority will be given to skills that can facilitate access to higher paying jobs for workers and lead to higher labor productivity for farmers, particularly in a contract farming setting. Consultancy firms will be hired to develop and deliver the technical training curriculum based on the results of the needs assessment. The Training Department will perform the job acceptance of this consulting firm in consensus with the Marketing Department.
- (b) **OJT.** The project will provide OJT to assist beneficiaries in gaining practical skills and applying the technical skills that they learned. The OJT will be offered to formal employers engaged with the

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<sup>35</sup> The daily stipend will cover the cost of transport to the training and meals. The training will be provided within the selected provinces and in close proximity to the beneficiaries to minimize the amount of time spent traveling to the training.



ACC through contract farming, which are committed to hiring more workers.<sup>36</sup> The OJT will provide new, less experienced beneficiaries with practical skills to improve their employability. The project will cover the entire cost of the time beneficiaries spent in training through the provision of a daily stipend<sup>37</sup> for the duration of the training. The OJT will be tailored to the specific case of rural employment; it will be structured based on the demand for skills analysis carried out by the ACC (paragraph 34). A full detailed process and operational procedure of the OJT will be described in the POM.

- (c) **Turkish language training.** Those refugees referred for Turkish language training will receive training that will equip them with basic language skills in Turkish, focusing on language needs in the context of agricultural work. The eligibility for Turkish language training will be assessed as part of the pre-employment profiling of project beneficiaries.

37. **Linking workers' skills with demand from farmers (matching).** The current matching process in agricultural labor markets is largely conducted through informal labor intermediaries. To facilitate the match between certified workers and the required skills demanded by employers, the ACC-CU will develop two operational tools:

- (a) **A pool of workers.** The ACC-CU will develop, implement, administer, and maintain a comprehensive registry of certified workers. The registry, which can also be accessed by eligible employers, will contain detailed information about the potential worker including, among others, a clear profile, area of expertise, experience, and background.
- (b) **A database of vacancies.** The ACC-CU will develop and maintain an updated system of vacancies arising from contract farming schemes with clear skills requirements by specific employers.

38. These tools will be developed and implemented as part of the information technology (IT) enhancement support described in Subcomponent 3.1. These tools will provide the necessary information to develop a job matching methodology to support the allocation of skilled workers in the most suitable available vacancies. Using a matching algorithm, the preferences of workers regarding the type of agricultural work to be carried, its location, and the specific skills and experience they are equipped with will be matched to the demand for workers and preferences among farmers. Based on this process, a ranked set of workers who are the closest match to farmers' requirements expressed in their vacancy will be proposed to farmers. The exact profiling and matching process will be further detailed in the POM.

39. The implementation of this subcomponent will be carried out by the ACC-CU, RUs, as required, and the primary ACCs. The outreach activities will be subcontracted by the ACC-CU to the TRC with experience in working with refugees. The training will be outsourced by the ACC-CU to experienced and

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<sup>36</sup> The OJT is currently mandated to İŞKUR, which operates such programs in urban areas with a focus on enterprises. This component will test the expansion of this model to the rural economy. This will require that a specific institution (for example, ACC) is granted with the privilege to provide it. The aim is for this privilege to be provided to the ACC. The OJT aims to provide beneficiaries with practical experience complementing the technical training they receive. As such, the aim of the project can be achieved even if the privilege is not delegated to the ACC.

<sup>37</sup> Specifically, the OJT covers short-term insurance (health insurance and occupational accidents and illness coverage) as well as a daily stipend for trainees. No benefits for retirement are provided.





certified training providers. The ACC will facilitate the movement of beneficiaries through these stages, by carrying out the employment profiling and referring beneficiaries to training and then to potential employers.

40. **Subcomponent 1.2: Increasing labor demand through enhanced production capacity of farms.**

The subcomponent will extend ACCs' existing contract farming schemes (see Annex 1 for a discussion of contracting farming) to cover the quality of and terms of working for agricultural workers. These additional incentives aim to attract new farmers to use contract farming, with conditions in the contracting farming arrangements that aim to benefit workers. To this end, this subcomponent will offer farmer members of the ACC, who enter into contract farming schemes, an enhanced package of services as follows:<sup>38</sup>

41. **Technical Assistance (TA).** The primary ACCs and RUs already offer TA to farmers who enter into contract farming, which includes, for example, training/advisory services on how to grow products in compliance with buyers' specifications. Through this component, the TA to farmers will be expanded to include information on the benefits of contract farming and the activities, benefits, and expected results of the proposed project and the general conditions to participate, including the social and environmental standards set out later in this document. The project will also provide information to farmers on the benefits for farmers to enroll in the SSI, advice on managing workers, the legal requirement for employing workers, and the benefits of using the database of vacancies and worker pool, which will be created under Subcomponent 1.1. The project will also provide soft skills training to farmers to assist them in their management of workers and relationships with refugees.<sup>39</sup> The training to farmers on the benefits and requirements of the project will be carried out by the Project Implementation Unit (PIU) within the ACC-CU, with supplementary support from additional consultants, as required. The TA on the benefits of contract farming will be provided by the Marketing Department, with support from the primary ACCs and, if needed, a third-party consultancy.

42. **Wage subsidies.** For a subset of farmers, the project will temporarily provide wage subsidies to incentivize them to formally employ refugees and Turkish workers, which would result in the workers being paid at least minimum wage and participating in the SSI.<sup>40</sup> Wage subsidies will fund a proportion of the wages of newly formal employees, as well as their registration costs including SSI contributions, income tax, and stamp tax, for the duration of the employment generated through the works required under the contract farming arrangement (see paragraph below for more details). In the case of refugees, the proposed project will support them to obtain their work permits/work permit waivers, as necessary. Any right to compensation arising from registered work will not be paid by the project and will be the responsibility of the farmer. The wage subsidy will be transferred by the ACC-CU directly to the employer, who will be responsible for the final payments to workers (wages) and SSI (premiums and contributions).

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<sup>38</sup> ACCs' contract farming schemes already provide a range of support to farmers to improve the quality of their products with the aim of meeting the requirements of their buyers. This existing support consists of linking farmers to markets, providing voluntary access to loans on preferential terms, and the provision of TA to farmers to improve the use of agricultural inputs and support the adoption of improved farming practices. This subcomponent will extend this package of support to farmers to include a specific focus on the type of employment opportunities offered to workers and the skills of these workers.

<sup>39</sup> This training will be delivered by the third-party training provider that is contracted to provide soft skills training to workers, as outlined under Subcomponent 1.1.

<sup>40</sup> The rationale behind the wage subsidy is to stimulate the demand for formal employment among agricultural employers that employ workers under conditions that are close to formality. Those are primarily farmers offering regular employment to some workers throughout the year, as opposed to only short-term opportunities.



43. To be eligible to receive the wage subsidy, employers will need to enter into a contract farming scheme with the primary ACC, which in addition to the existing conditions as set out in the contract, will include, among others, the provision to issue formal contracts to workers, including paying at least minimum wage and registration-related costs and a commitment to ensure there is no child labor, forced labor, or serious violations of health and occupational safety standards. The employer will also enter into a formal, written contract with the employees.<sup>41</sup> An independent verification will regularly assess the working conditions, compliance with Environmental and Social Standards (ESS), and the payment of wages to workers.

44. Currently, the project proposes to cover 50 percent of the net wage per year for all workers employed under the same employer, as well as registration costs, SSI premiums, and taxes for the duration of employment created under the project contract farming scheme.<sup>42</sup> The level of the wage subsidy and the possibility of a gradual exit from subsidy as well as potential conditionality on further employment at the end of subsidy will be evaluated during project implementation based on evidence from the M&E system.<sup>43</sup> As noted above, it is anticipated that this level will fall in subsequent years.

**Table 1. TA and wage subsidy by type of employer**

	<b>(1) Formal employers with currently some formal workers</b>	<b>(2) Informal employers that will be formalized</b>
<b>TA</b>	Yes	Yes, with an emphasis on management of and relations with employees including procedures with the SSI
<b>Wage subsidies</b>	Yes, only for additional formal workers hired	Yes, for all workers
<b>Registration costs and premiums for workers</b>	Yes, only for additional formal workers hired	Yes, for all workers and for employers

45. For eligible employers to the wage subsidy, they must be registered in the SSI as workplaces eligible to formally register workers.<sup>44</sup> Workers' registration will follow the Law of Social Security and General Health Insurance.<sup>45</sup> The working conditions in this model will be subject to the national Labor Code and the Code of Obligations in terms of coverage provisions.<sup>46</sup> The national minimum wage applies to all workers supported through the project and workers are eligible for health insurance benefits,

<sup>41</sup> The ACC-CU will provide a template contract to farmers for this purpose. The provision of a written contract between the employer and worker is anticipated to eliminate the role of labor intermediaries.

<sup>42</sup> The exact duration of the work will vary from no less than three months to twelve months. This range reflects the different type and duration of tasks carried out by agricultural workers. The aim is to support work that is longer term, that is, nine to twelve months, to provide workers with more regular income.

<sup>43</sup> The project will provide an additional incentive to employers in the first cycle of implementation as the pool of workers will not have completed training, implying that the skill levels will be low and comparable to other agricultural workers. As there will be a readily trained pool of workers available from the second year onward, the subsidy levels will be reduced in recognition of the improved employability of this worker pool.

<sup>44</sup> In addition to enterprises in the agricultural sector, farmers who are registered as self-employed, as defined under the Law of Social Security and General Health Insurance (No. 5510) Article 4(b), can act as employers and formally register workers.

<sup>45</sup> Law No. 5510, Article 4(a) (those who work for one or more employers under a service contract).

<sup>46</sup> Law No. 4857. Labor Law does not apply to agricultural enterprises with less than 50 employees.





insurance for occupational safety and maternity, and retirement benefits. Registration in this model may require a work permit for all refugees, which the project will support beneficiaries to secure, as needed.<sup>47</sup> Upon registration to the SSI, SuTPs who benefit from the ESSN will lose their beneficiary status.<sup>48</sup> For this reason, it is expected that this model will be mostly used for relatively long-term employment, particularly in the case of ESSN beneficiaries.

46. **TA to the ACC on contract farming.** The above activities aim to increase the demand for contract farming among members of the ACC, with more farmers entering into such contracts with the ACC. As necessary, the proposed project will also provide TA from the ACC-CU to primary ACCs and RUs to promote contract farming. TA will also be provided, as needed, to promote the role of the ACC-CU as the broker within contract farming by contracting international and national experts to advise the ACC-CU or through study tours to countries where cooperatives have successfully promoted contract farming. To this end, this component will invest in the contract management system of the ACC-CU and primary ACCs so that it reflects international best practice level in issuance, execution, and delivery of contract farming. The legal department of the ACC-CU will be further strengthened to advance the contract execution, dispute resolution, and contract standardization aspects.<sup>49</sup>

## **Component 2: Increasing demand for contract farming** (EUR 3.05 million; US\$3.51 million equivalent)

47. This component aims to increase the use of and demand for contract farming schemes in project areas by increasing the aggregation capacity of primary ACCs. Currently, capacity constraints in primary ACC facilities limit the scope to increase the use of contract farming schemes in some areas. Preliminary analysis indicates that farmer demand for marketing their crops through contract farming is high, as is buyer demand for receiving high quality crops through reliable contract farming schemes. However, given the small-scale farm structure, linking these two parties while maintaining the quality of the crops during the aggregation process can be a challenge. Such capacity constraints will be addressed through the provision of micro and small grants to primary ACCs to fund a proportion of a project that would enhance the physical and technical capacity of the primary ACC to dry, store, grade, sort, and package produce, which, in turn, will improve aggregation capacity while maintaining the quality of the crops throughout the marketing value chain. In this way, this component aims to enhance the demand for and utilization capacity of contract farming by primary ACCs to be supported under Component 1, resulting in a greater number and/or volume of contracts signed with farmers under the proposed project (See Annex 1). The scope of the activities under this component will be limited to focus on this critical part of the value chain, which is the aggregation capacity of primary ACCs. However, this component is not anticipated to address the broader structural constraints in the agricultural sector and its value chains that constraint further gains in productivity.

48. The component will award micro or small grants for projects proposed by primary ACCs that will improve their aggregation capacity for those crops that are subject to contract farming under Component 1. These micro and small grants will not be eligible for civil works, such as the construction of new facilities

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<sup>47</sup> Requirement to obtain a work permit or an exemption of a work permit depends on the type of the contract and the type of the employer.

<sup>48</sup> Turkish citizens that were previously eligible for free healthcare under General Health Insurance will gain their status back if their employment does not continue following participation in the project.

<sup>49</sup> The ACC has systems in place to supply inputs to farmers. These systems are able to respond to the increase in demand that will arise as a result of greater use of contract farming contracts.



or activities related to land acquisition. A single primary ACC or multiple ACCs can jointly prepare a project proposal for a joint investment. In this case, the ACC Regional Union (ACC-RU) can participate in preparation, and if approved, execution of the project.

49. The grants will be awarded based on an objective and transparent set of criteria. Primary ACCs will submit proposals to the CU, which will then be forwarded to an external evaluator firm contracted by the ACC-CU for an independent assessment of the proposals. The ACC-CU will establish a committee<sup>50</sup> that will award funding to the projects, based on the assessment of the external technical evaluator.

50. The ACC-CU will prepare and submit, for the World Bank's no-objection, a Small Grants Manual, which will be integrated into the POM, that details the preparation, evaluation, implementation, supervision, and reporting of the packages of services supported by this component. This manual will be a condition to start disbursements under this component.

**Component 3: Implementation support and institutional capacity building** (EUR 8.63 million; US\$10.08 million equivalent)

51. This component will strengthen the capacity of the ACC (Central, Regional, and primary ACCs) to effectively implement the proposed project, including its M&E as well as communications both to potential beneficiaries and to the public at large.

52. **Subcomponent 3.1: Project management and capacity building** (US\$3.90 million equivalent). This subcomponent will strengthen the capacity of the ACC-CU to implement the project. This will be done by hiring necessary operational staff and selected experts, including, but not limited to, procurement, financial management (FM), M&E, and environmental and social (E&S) specialists. These experts will be embedded within the responsible departments of the ACC so that this expertise augments—but does not replace—the capacity of the ACC to carry out these functions. Short-term experts or consultants will also be hired to carry out specific tasks. Field Officers will also be placed in the RUs to coordinate activities in each of the project provinces. The project will also fund basic operating costs, the purchase of office equipment and computers for the ACC-CU and, as needed, the regional offices and primary ACCs. The project will also strengthen the capacity of the ACC through training of relevant staff at the CU, regional offices, and primary ACCs.

53. **Subcomponent 3.2: Grievance and redress mechanism and citizen engagement** (US\$1.73 million equivalent). This subcomponent will fund a Grievance and Redress Mechanism (GRM) that will provide an avenue for beneficiaries, workers, farmers, employers, and the communities more broadly to lodge complaints. It will build on the current GRM of the ACC-CU, which consists of a hotline with full-time dedicated staff, and it also has a website link that feeds a database that refers complaints to the responsible staff in the ACC-CU for resolution, which is then recorded in the database. This system will be modified based on experience with GRMs for refugees and agricultural workers in Turkey to ensure that it is accessible to this population as well. It is expected to include, at a minimum, an intake function within the primary ACCs and with the TRC and a feedback loop to communicate the response to the complaint

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<sup>50</sup> The committee will be comprised of the Deputy Manager of the ACC, the Head of the Marketing Department, Director of Contract Farming, Director of Supply and Mechanization, and one agricultural engineer, to be named by the Deputy Manager.



to the person who lodged the complaint. Complaints received through the GRM will be registered and tracked in the management information system.

54. This subcomponent will finance national- and local-level communications and visibility activities, including making the contributions of the EU and the World Bank visible in the branded products (contract farming supported under this action). This activity will be informed by a communication and visibility plan.

55. **Subcomponent 3.3: Monitoring and evaluation** (US\$4.45 million equivalent). Given the innovative nature of this project, M&E will be given special emphasis as follows to inform implementation and modifications to design parameters during project implementation:

- (a) **Management information systems:** Enhancement and implementation of an information and monitoring system to allow the ACC to track contract farming and related outputs, by further developing the IT system based on the relevant processes and set of indicators, as well as collection of basic administrative data. As part of this system, the project will support the development and implementation of the registry of certified skilled workers and the vacancies database, as well as the data collection related to them to ensure that the information they provide is updated. As part of this set of activities, the proposed project will also support the ACC in the following areas: (i) IT development (software and hardware) to create, administer, and maintain a regularly updated registry of workers who have been trained and certified and (ii) IT development (software and hardware) to improve the system to maintain an updated list of vacancies.
- (b) **Reports and evaluations:** This subcomponent will support the preparation of a series of activity-level reporting, process assessments, and independent evaluations. Specifically, the proposed project will support the following:
  - i. Process evaluations to assess program operations and procedures to ensure that the project delivers the proposed packages of services and benefits to a high quality to the target groups. Process evaluations will be structured to assess each process within the delivery chain. At least one evaluation will be carried out after the first year of implementation of the project to inform the annual work planning and budgeting for the second year and to determine if any changes in the design or implementation arrangements are required.
  - ii. Independent verification to, among others, determine if workers are present in their workplace, their working conditions, possible presence of child labor, among other requirements set out in the Labor Management Plan and Environmental and Social Management Framework (ESMF), and receipt of payment. Similar checks will be carried out during training to confirm the participation of beneficiaries and quality of service providers.
  - iii. Annual financial audits.
  - iv. Independent impact evaluation. The proposed project will finance a rigorous evaluation of the project to measure results attributable to the intervention. For this, the ACC will



contract the collection of data to an external specialized firm, with the World Bank providing TA to the design of the impact evaluation and the analysis of the data. The impact evaluation will be carried out based on a baseline and at least one follow-up survey.

56. This subcomponent will also support the preparation of reports and analysis as required by the Facility Results Framework of the European Union.

### C. Project Beneficiaries

57. The proposed project will benefit eligible workers among ESSN beneficiaries, other refugees, Turkish citizens, and ACC member farmers participating in the project in selected provinces, as detailed in the following paragraphs.

58. **Selection of beneficiaries.** Beneficiaries will be selected into the project based on their interest to participate and willingness to work in on-farm and off-farm employment. To create demand for the project, information on the project objectives and services will be communicated widely within the selected communities, with a specific focus of working with the TRC, which has a proven track record of reaching ESSN beneficiaries, supporting ESSN beneficiaries and refugees, and using communication materials in Arabic. Beneficiaries who enroll into the project will be eligible to participate in the training and to be enrolled in the database of workers. If demand exceeds supply of training, beneficiaries will be selected on a random basis. Selection into employment opportunities will be through the matching (see paragraph 37).<sup>51</sup>

59. **Selection of primary ACCs and farmers.** Primary ACCs located in selected provinces participating in contract farming will be eligible to participate in the project. The ACC-CU will communicate the objectives of the project, the benefits, and requirements widely within the selected provinces and primary ACCs will indicate their interest and willingness to participate in the project. To be eligible to participate in the project, farmers must voluntarily engage in contract farming with the ACC and, to benefit from the wage subsidy, must be willing to accept the conditions for the employment of formal labor and to comply with the Environmental and Social Framework (ESF) requirements, as set out in the terms of the contract farming contract. The primary ACC will provide equal opportunity to its member farmers to apply for the support under the project. However, the primary ACC will evaluate the delivery capacity of each applicant based on their track record with the primary ACC, including their labor practices and their production planning. It is anticipated that most farmer members of the ACC will be Turkish, given the prevailing conditions in the agriculture sector in Turkey.

60. **Selection of provinces.** The selection of provinces to participate in the project was carried out in a manner that was designed to support the achievement of the PDO, while also ensuring transparency and objectivity. To this end, a methodology was developed during project preparation, which consists of seven selection criteria: (a) number of primary ACCs in the province, (b) number of primary ACCs under contracted farming in the province, (c) number of primary ACCs under harvest-end contracts, (d) the number of refugees residing in a province, including the number of ESSN beneficiaries, (e) potential for increased contract farming, (f) potential for converting harvest-end contracts to contract farming, and (g)

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<sup>51</sup> The employer's family members are not eligible for the wage subsidy.



potential for production of labor-intensive crops. Next, these criteria were weighted depending on their priorities and at the end scores were calculated. Finally, the provinces were listed according to their scores. These seven criteria, with the rationale for each, are elaborated upon in Annex 1. Based on these criteria, the project will be implemented in the provinces of Adana, Adiyaman, Gaziantep, İzmir, Mersin, and Bursa. As project implementation progresses, additional provinces may be added, with the agreement of the ACC-CU and the World Bank.

#### **D. Results Chain**

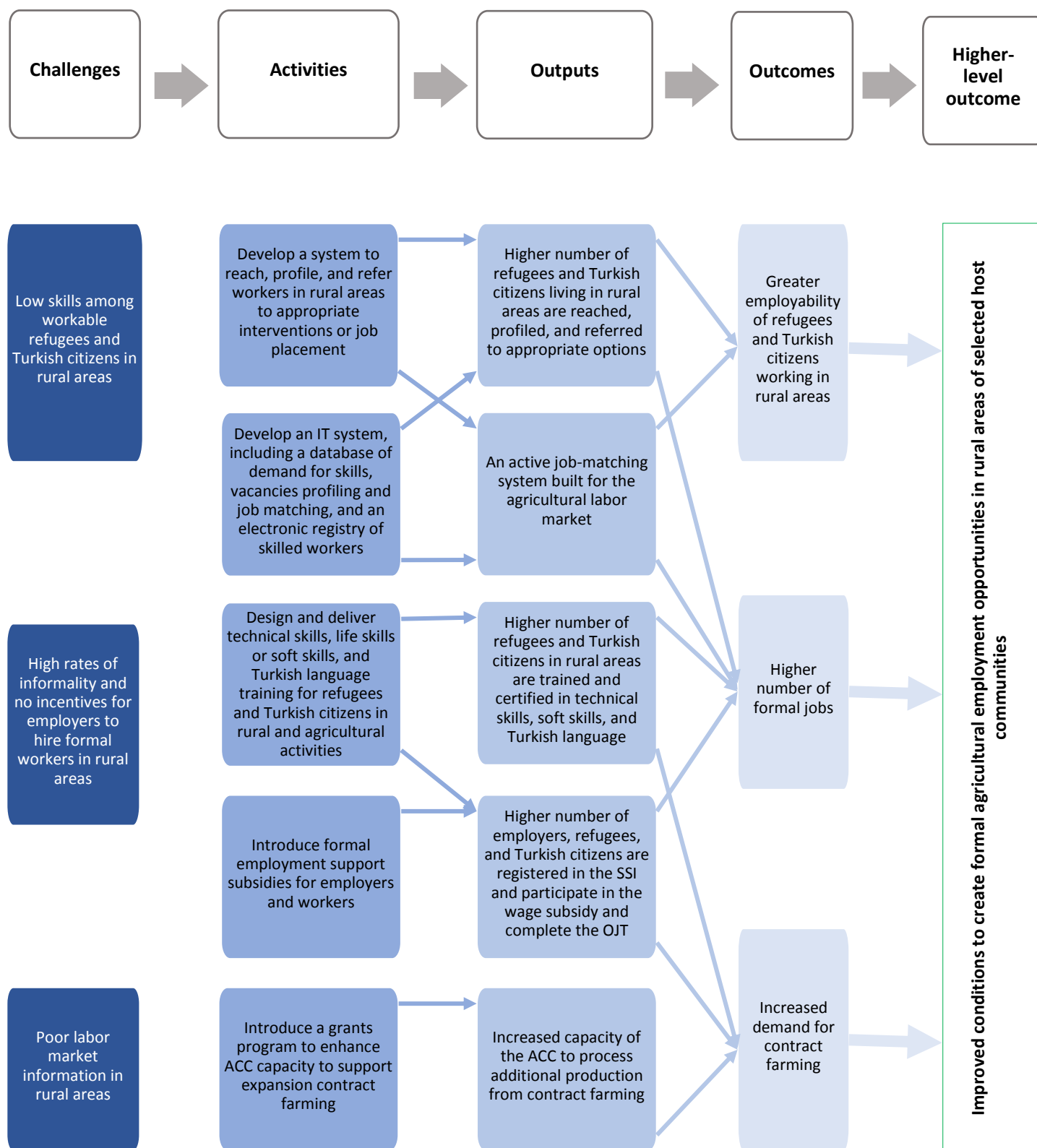
61. The proposed project will support the Government to address three major challenges that undermine labor outcomes among host communities and refugee populations in rural areas: (a) the large proportion of rural workers without adequate skills and experience in jobs in agricultural areas, including refugees lacking Turkish language and knowledge of Turkish culture and institutions; (b) the lack of incentives for formalization of employers and workers in rural areas; and (c) the lack of updated and accurate information about the demand for and supply of labor skills in rural areas. To address these challenges and achieve the PDO, the proposed project aims to improve the supply of labor in rural areas with high presence of refugees by increasing the employability of marginalized workers. This will be achieved through a more effective outreach, accurate profiling and referral, and effective and comprehensive training of workers. These activities respond not only to the low skills and low employability of these workers but also to some of their other vulnerabilities, by building in referrals to other types of support, such as psychosocial support. These interventions will result in a larger number of skilled workers with a greater readiness to work in rural areas in Turkey. At the same time, the project will provide employment support subsidies to create incentives for employers and workers to register in the SSI and move toward formalization. Both interventions are anticipated to lead to higher productivity, which may be an incentive to expand production and increase the number of employers and workers registered in the SSI or hired under through an OJT program.

62. The proposed project will also support the design of two activities to improve the effectiveness of supply-side and demand-side interventions in rural areas. First, the project will strengthen the ACC's information system to enable it to provide, in real time, information to employers and workers on available skills and job vacancies to better match labor demand and supply. Second, the project will provide a set of incentives to enable the ACC to better absorb the expected increase in farm production through contract farming. This will, in turn, increase the demand for the high value-added products produced through contract farming arrangements and increase off-farm employment opportunities.

63. The final outcomes of these set of activities and outputs are the basis of the PDO of improving the conditions to create formal employment opportunities in rural areas of selected host communities. Figure 1 visualizes the results chain and theory of change on which the proposed project is based.



Figure 1. Project Results Chain





## E. Rationale for Bank Involvement and Role of Partners

64. The World Bank is in a strong position to contribute to the Government's agenda of supporting refugees and host communities through sustainable livelihoods and formal employment. First, the World Bank has carried out extensive analytical tasks related to the Turkish labor market issues in general and those related to the impact of the refugee influx. Second, the World Bank is involved in substantial operational activities through the implementation of several operations under the EU-financed FRIT I to improve labor market outcomes among refugees and Turkish citizens living in host communities. Third, the World Bank brings to the Turkey context extensive analytical and operational experience and lessons learned from other countries in the region and other regions related to the implementation of labor market policies to support difficult-to-employ populations, including refugees, and strengthen the agricultural sector, including the role of farmer organizations to overcome inefficiencies in the sector.

65. The proposed project is one of several operations that the World Bank is implementing as part of FRIT II to promote sustainable livelihoods and formal employment and employability of refugees and host communities. As detailed in paragraph 17, these projects are designed to be complementary, responding to the demand-side and supply-side constraints refugees and host communities face in accessing labor markets in urban and rural areas. This project complements other employment-generating activities as by the Food and Agriculture Organization (FAO),<sup>52</sup> *Kreditanstalt für Wiederaufbau* (KfW), and International Labour Organization (ILO).

## F. Lessons Learned and Reflected in the Project Design

66. **Integrating multiple labor interventions can be more effective as they provide more flexible options to respond to different needs of the beneficiaries.** Active labor market programs (ALMPs) in the form of wage subsidies can be potentially beneficial in cases where there are information asymmetries in hiring inexperienced individuals or externalities in hiring a particular subgroup of the population, such as refugees. By reducing the cost of hiring for the employer, wage subsidies can significantly improve the probability of employment for these individuals. However, available evidence suggests that a wage subsidy intervention by itself may improve employment outcomes throughout the duration of the subsidy only, and that integrated programs, in partnership with employers that target skills development and demand-side factors in addition to these constraints, can provide much larger and more sustained outcomes in employment and wages.<sup>53</sup> In response to this evidence, the project design integrates demand-side and supply-side interventions targeted to vulnerable populations, both refugees and Turkish citizens, in the agricultural sector in Turkey. Importantly, as the implementing agency, the ACC's strong ties with agricultural employers will lead to high ownership of the intervention by employers.

67. **Skills training programs can yield better employment outcomes when informed by labor market demand data.** The evidence on the effects of skills training on employment and earning is mixed. Recent evidence points to the importance of incorporating information on skills demanded by employers into training programs to improve their effectiveness. For example, in Brazil,<sup>54</sup> a skills training program which

<sup>52</sup> FAO (Food and Agriculture Organization of the UN). 2018. *Turkey Syrian Refugee Resilience Plan 2018–2019*.

<sup>53</sup> Kluve J. 2014. "Active Labour Market Policies with a Focus on Youth". ETF Working paper; Kluve et al. 2019. "Do Youth Employment Programs Improve Labor Market Outcomes? A Quantitative Review." *World Development* 114: 237-253.

<sup>54</sup> O'Connell, Stephen D., Mation, Lucas Ferreira, Bevilacqua Teixeira Basto, Joao, and Mark Andrew Dutz. 2017. "Can Business





incorporated inputs from local employers had double the impact on employment and earnings relative to a traditional program with no inputs from employers. Building on international evidence, the proposed project aims to provide skill training to workers in line with the demands of employers, which will be determined through a needs assessment and updated regularly.

68. **While wage subsidies can be effective tools to improve the employability of vulnerable populations, consideration should be given to how to avoid deadweight losses.** Lessons learned in other countries identify four potential effects that would lead to a program being ineffective or detrimental to employment:<sup>55</sup> (a) employer may substitute a worker eligible for the subsidy with another who is ineligible; (b) employers may use the wage subsidy to hire a worker that they would have hired even without the subsidy; (c) by improving the employability of the workers with their initial human capital, the subsidy may disincentivize workers to invest further in their human capital; and (d) depending on the scale of implementation, the subsidy may increase the competitiveness of the employers who have eligible workers and drive out firms with no eligible workers from business, leading to no impact on employment and detrimental effects on the market overall. The proposed design of the project responds to these potential effects. First, as the project will operate in an environment where most of the workers are informal, it is unlikely to generate substitution between eligible and ineligible workers, and the probability of agricultural workers, especially refugees, in their current skills levels to be formally hired without financial support to farmers is extremely low. Second, the context of agricultural labor in Turkey implies that the proposed project focuses on vulnerable populations with extremely low skill levels. Nonetheless, the design acknowledges the possibility of individuals who can be fit for jobs in other sectors. To this end, pre-employment profiling activity will allow beneficiaries with suitable skills to be directed to the Turkish Employment Agency to benefit from training and employment programs for nonagricultural sectors, including, but not limited to, other operations in the country's labor market.<sup>56</sup> Individuals who are not suitable for any employment program will be informed about social assistance programs available to them. Finally, wage subsidy aims to subsidize the cost of registering workers in formal employment in a sector with high informality. In other words, the subsidy will operate to keep participating employers in business despite the increase in their production costs due to registration. The scale of the implementation is also unlikely to generate adverse effects in the sector as a whole.

69. **Farmer associations can be a means of overcoming constraints in the agricultural sector in Turkey.** Globally, farmer organizations have a proven track record of helping producers act collectively, which can assist them in coping with market conditions. Farmer organizations often also play a key role in linking farmers to markets—a role that is particularly important when farmers are small and face barriers to integrating into food value chains. This is because these organizations can mitigate the costs relatively smaller farmers face in production and transportation costs. Farmers organizations that focus on

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Input Improve the Effectiveness of Worker Training? Evidence from Brazil's Pronatec-MDIC (English).” Policy Research Working Paper WPS 8155, World Bank Group, Washington, DC.

<sup>55</sup> Hirshleifer, Sarojini, McKenzie, David, Almeida, Rita, and Cristobal Ridao-Cano. 2014. *The Impact of Vocational Training for the Unemployed: Experimental Evidence from Turkey (English)*. EnGender Impact: the World Bank's Gender Impact Evaluation Database. Washington, DC: World Bank Group. <http://documents.worldbank.org/curated/en/209871468310469519/The-impact-of-vocational-training-for-the-unemployed-experimental-evidence-from-Turkey>. Bördös, K., Csillag, M., and A. Scharl. 2015. *What Works in Wage Subsidies for Young People: A Review of Issues, Theory, Policies and Evidence* (No. 994898973402676). International Labour Organization.

<sup>56</sup> For example, ‘Employment Support Project for Syrians Under Temporary Protection and Turkish Citizens’ (P161670) in implementation and ‘Turkey: Support for Transition to Labor Market for People under Temporary and International Protection and Turkish Citizens Project’ (P171471) in the pipeline.





aggregation, processing, and sale of members' output could thus assist in overcoming some of the constraints in the agricultural sector in Turkey.<sup>57</sup>

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

70. The ACCs were created through the Agricultural Credit Cooperatives and Unions Law No: 1581, according to which agricultural producers among themselves may form ACCs that are based on the principle of mutual assistance to protect their economic interests and to meet their requirements relating to their profession and livelihood. The ACCs formed under this law are separate legal entities (called primary ACCs). The ACCs that have been formed in one or more provinces come together to establish regional unions of agricultural credit cooperatives (ACC-RUs), which are also separate legal entities. There are 17 ACC-RUs, covering every province in Turkey. The ACC-RUs form the ACC-CU, which is the only parent organization of the ACCs and ACC-RUs and is located in Ankara as an independent legal entity. The ACC-CU is obligated to ensure that the ACCs and ACC-RUs are formed and managed in accordance with the law and has the mandate to audit the ACC-RUs and ACCs. The ACC-RUs are charged with ensuring that the primary ACCs operate in compliance with the principles of cooperatives and the provisions of the law and have the mandate to audit primary ACCs. The standard articles of association of the founding charters of the ACCs, ACC-RUs, and ACC-CU are prepared and amended by the Ministry of Agriculture and Forestry (MoAF). The ACCs, ACC-RUs, and ACC-CU are subject to inspection and audit by the MoAF. One out of three members of the Audit Board of ACC-CU is appointed by the MoAF.

71. The ACC-CU will implement the project, with its relevant departments carrying out the proposed activities in line with their mandates as defined in the ACC-CU organizational structure. These departments are (a) Contract Farming and Product Evaluation Directorate (Marketing Department), (b) Training Directorate (Human Resources Department), (c) Information Technologies Department, (d) Financial Affairs and Accounting Directorate (Accounting and Finance Department), (d) Supply Department, and (e) the Corporate Communication Directorate (Strategy Development and Organization Department). Procurement units under the relevant departments will support the procurement activities.

72. The Marketing Department will lead the efforts to promote contract farming, as it currently is within the ACC structure. This responsibility will include modifying the contracts, as needed, to reflect the design of the project and the ESF requirements of the World Bank. It will also coordinate the outreach to primary ACCs and farmers to inform them of the project and its requirements, as well as the benefits of contract farming. It will coordinate the provision of TA to farmers and primary ACCs on contract farming with support of the PIU.

73. The Training Directorate of ACC-CU will be responsible for the training provided through the project. It will contract third-party service provider firms to provide technical, language, and soft skills training. This training will be provided by the firms in the selected provinces at close proximity to the beneficiaries. In the absence of training providers with close proximity to beneficiaries, other companies with the necessary qualifications may also be preferred. The training providers will be responsible to

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<sup>57</sup> World Bank. 2018. *Leveraging Farmer Organizations to Improve the Efficiency of Agricultural Value Chains in Turkey. Summary of Findings and Recommendations*. Draft. Washington, DC; World Bank.



develop the curriculum (based on the needs assessment carried out by the ACC), enroll the beneficiaries in the training, record attendance, calculate the daily stipends, and report to the ACC.

74. The IT Department will be responsible for the design and establishment of the MIS that will be put in place to support the project and the procurement of associated IT equipment. The procurement units of the relevant departments will be responsible for the procurement function of the project, and the Financial Department will be accountable for the FM of the project. The Corporate Relations and Communication Directorate will support communication activities under the GRM subcomponent of the project.

75. A PIU will be established under the ACC-CU, which will support the responsible departments in carrying out project-specific tasks and will include six technical specialists who will be located in each of the provinces participating in the project. In addition to technical staff, the PIU will be staffed with individual consultants possessing specialized skills in the areas of procurement, FM, social and environmental management, M&E, and communication. The PIU will monitor the project using and supporting the systems of the ACC. The PIU will support the ACC-CU in contracting an independent firm that will verify that all project activities are being carried out according to the POM.

76. The TRC, given its experience working with refugees, will be contracted to reach out to potential beneficiaries to and refer them to the ACC to participate in the project. This NGO will be contracted by the ACC-CU with oversight by the PIU.

77. At the field level, the primary ACCs will manage the execution of contract farming contracts, which are already being carried out by them. However, they will take additional responsibilities arising from project requirements. Since all contracts will be signed at the primary ACC level, reaching out to farmers, preparing and signing contracts, providing and monitoring use of agricultural inputs, performing verifications during the production process, ensuring compliance with safeguards and other contractual obligations, and purchasing harvested products will be the core of on-farm processes that the ACCs are responsible for. The ACCs will also function as the primary information and registry point for any agricultural worker who visits the ACC and inquires or applies for programs under the project. ACC staff will perform spot checks for monitoring and verification of the delivery of and attendance to trainings and the actual employment on farm together with ACC PIU field specialists. The local ACCs will review the training delivery reports and the training and employment timesheets and approve the summary payment request to be sent to the ACC PIU. The ACC-CU will contract an independent firm that will independently verify that the project is being carried out according to the POM.

## **B. Results Monitoring and Evaluation Arrangements**

78. The development and intermediate indicators will be tracked using the following instruments, sources, and methodologies: (a) administrative data collected through the information system, enhanced and optimized by the project (including the registry of certified beneficiaries and the database of vacancies); (b) regular information and data collection on program processes; (c) process evaluations and independent verification; (d) impact evaluation to measure results attributable to the project; (e) other studies and assessments carried out during the implementation of the project; and (f) progress reports prepared by the PIU. The POM will further describe the agreed monitoring processes and protocols for each indicator, including source, instrument, institutional responsibility, and frequency.



79. In general, the PIU will be responsible for gathering the relevant data and information as well as coordinating with relevant actors to collect necessary information to monitor the PDO and the indicators. The ACC-CU will be responsible for communicating to the World Bank with updated information on the PDO-level and intermediate results indicators according to the frequency of reports described in the Results Framework.

### C. Sustainability

80. While the proposed project introduces an innovative approach to employment support in rural areas, its design as well as the implementation arrangements aim to contribute toward ensuring the sustainability of the intervention and its impacts. First, the proposed project aims to improve the economic opportunities for former ESSN beneficiaries and other refugees and host community members by improving their skills and providing them with access to formal employment opportunities. From this perspective, the proposed project will strengthen the labor supply by providing certified training, soft skills/life skills training, and language training to facilitate adaptation to the Turkish agricultural context. The project will not only enhance employment opportunities but will also increase employability to facilitate job seeking among beneficiaries. Second, the project is designed to contribute toward creating the conditions for formal employment by strengthening the linkages between the demand of farmers for skills and the provision of skills training and establishing a system of profiling and matching workers to employment opportunities.

81. Third, in a context of extended informality and little incentives for formalization, the project will provide farmers with TA and financial support tailored to enhance their capacity to formally contract workers. The introduction of these reforms aims to facilitate a more efficient functioning of the rural labor market in pilot areas. Furthermore, seeking to promote the demand for employment through enhanced contract farming has the potential to build this approach into the agricultural sector more broadly.

82. Finally, the project aims to enhance the capacity of the ACC to ensure that the interventions and activities supported by the project are scalable, thereby moving toward formalization of agriculture workers more generally. These tools and practices (that is, registry of skilled workers and database of vacancies and training materials) are designed to be easily extended in other rural areas even beyond those with presence of refugees.

## IV. PROJECT APPRAISAL SUMMARY

### A. Technical and Economic Analysis

83. **The project design draws on international best practice by integrating supply- and demand-side interventions targeted to vulnerable populations in rural areas, both refugees and natives, in the agriculture sector in Turkey.** As explained in the section on lessons learned, integrated interventions that combine supply- and demand-side approaches fare better in improving employability. In the current context, both demand and supply factors affect the employment capacity for vulnerable populations in the rural areas in Turkey (Table 2). On the supply side, agricultural workers lack job-relevant skills including language, technical, and behavioral. They also lack information about the possibility of and benefits from formal employment, particularly for the refugee population. Finally, workers can have trouble signaling



their skills and identifying the most relevant jobs for them. The project seeks to tackle these constraints through trainings, information sharing, certification, and profiling and job matching services. On the demand side, slow job growth and discrimination against vulnerable populations, especially refugees, can result in lack of labor demand for these populations. The project will tackle these constraints through TA to boost productivity, and wage subsidies and micro and small investment grants aimed at boosting both on-farm and off-farm employment.

84. **Notably, the design of the wage subsidy intervention is constructed to incentivize agricultural employers to formalize those workers already close to formalization, and therefore to facilitate the sustainability of the impact.** As explained above, the project will cover all costs for registration (including SSI contributions, income tax, and stamp tax) plus subsidize the net wage. The subsidy rate over the net wage is calculated such that the subsidy would provide some monetary incentive for the agricultural employer to formalize the existing worker without facing an increase in production cost. Assuming a TL 70 daily wage<sup>58</sup> and 20 days of work per month, a 30 percent subsidy over net wage (in addition to covering all registration costs) would allow the agricultural employer to break even. The 50 percent subsidy rate in the first year of the project guarantees no increase in costs, and is deliberately kept significantly higher than the break-even point to incentivize the first round of farmers to participate in the project in a market with over 80 percent informality when: (a) there are no leading examples of other participating farmers to assess the potential benefit for themselves; (b) agricultural employers cannot exactly know the potential additional costs associated with becoming formal employers; (c) the worker pool is not yet trained, and thus offer no additional benefits to the employers, and relatedly; and (d) employers cannot initially assess the productivity of formally hired workers, especially in the case of refugees. In addition, an intervention covering *half of the net wage* could be significantly easier to communicate to farmers compared to more complex ratios. As the worker pool is trained and there are successful agricultural employers benefiting from the project, the subsidy levels will be gradually reduced in the second and the following years. These design parameters have been confirmed by an analysis of the effect of the wage subsidy in production costs using crop budgets as well as through the field consultations with chambers of agriculture and as well as agricultural employers in the provinces considered for this project. In case the monitored indicators and results of initial studies necessitate, these design parameters may also be subject to changes.<sup>59</sup>

**Table 2: Identified constraints and interventions in the project**

Source of constraint	Constraint		Intervention in the project to tackle the constraint
Supply-side	Job-relevant skills constraints	Insufficient basic skills	Language training
		Technical skills mismatch	Technical training
		Behavioral skills mismatch	On-the-job training
	Job search and matching constraints	Lack of knowledge about the potential of formal	Soft/life skills training Information about the value and procedures of formal

<sup>58</sup> The daily wage for agriculture is set by the local Agricultural Chamber of Commerce, with reference to the national minimum wage. TL 70 per day was the minimum level paid for daily agricultural work in 2019.

<sup>59</sup> Two factors in particular may affect this decision. First, estimates of wage thresholds for agricultural employers to formalize refugee workers is not known in advance. Second, the exact perceived additional cost of being included in the formal sector for agricultural employers is not known. These parameters will be observable during the project implementation stage.



		employment	employment
		Problems in signaling skills	Skills certification
		Problems in matching to appropriate jobs	Profiling and job matching
Demand-side	Lack of labor demand	Slow job growth	TA Wage subsidies Micro and small investment grants
		Employer preferences or discrimination	Wage subsidies

Source: Adapted from Cunningham, Sanchez-Puerta, and Wuermill (2010), cited in Datta et al. (2018).

85. **However, the proposed project departs from standard labor interventions implemented in other contexts in several respects.** The vast majority of existing ALMPs target urban labor markets, where formal wage employment is the norm, and interventions in rural settings have tended to be confined to livelihood interventions that promote self-employment. In contrast, the proposed project focuses on rural wage employment in the agricultural sector. A prominent feature of the agricultural sector in Turkey is the very high levels of informality which, when combined with wages way below the national minimum wage, leads to very high costs of formalization. The proposed project also seeks to target a very low-skilled and low-employability population among which many are illiterate. Half of the beneficiaries will be refugee workers with often a weak command of the Turkish language, and in some cases lacking work permits which is a necessary condition for formal employment.

86. **As a result, the project is expected to yield monetary benefits for both workers (supply side) and farmers (demand side).** On the demand side, the project expects to increase the demand for labor through: (a) an increase in farm productivity, including improved quality of produce and reduced waste and losses; (b) the expansion of production; and (c) reduced costs to hire formal labor. On the workers' side, welfare gains are expected as a result of: (a) productivity and wage gains through skill training and certification, (b) gains from formalization, and (c) access to additional employment. On the supply side, the analysis thus estimates the returns of the project for three distinct subpopulations of workers: (a) those already employed in agriculture that are currently informal and would become formal workers; (b) informal workers that would remain informally employed but would experience productivity and wage gains through skill training and certification; and (c) workers not currently employed who would become employed as the result of additional job creation. It is also assumed that a small proportion of the workers in (b) would become formal in the long term as a result of increased labor productivity and other interventions included in the project.

87. **The estimated internal rate of return (IRR) for the project on a 10-year horizon is 14 percent, with benefits fully equalizing costs after 6 years.** Although the costs dominate the short-term net returns, costs are only concentrated in the first years, while benefits are expected to be long lasting both for farmers and agricultural workers. In fact, in a 10-year projection, the benefits already surpass the costs and generate a positive IRR (14 percent). On feasible 30-year horizon projections, benefits have gradually lower marginal returns as detailed by the discount rate of 2.5 percent and the number of workers that leave the market gradually. Benefits equalize the costs on year 6 at the end of the project implementation, meaning that subsequent periods are strictly positive on net returns contributions.



88. **Beyond the monetary benefits that can be captured by the cost-benefit analysis, the project is also expected to yield additional benefits that are not easily quantifiable.** Those include: (a) improving refugees' access to information regarding access to work permits and formal employment which can in itself also facilitate access to better employment, including off-farm employment; (ii) a greater command of the Turkish language which is expected to also increase access to jobs and employability but also more broadly integration in rural host communities; and (c) future referrals to services offered to refugees such as social assistance or labor intermediation by İŞKUR, facilitated by interactions with Kizilay, is anticipated to be part of the project. This suggests that the analysis above only captures a portion of the benefits of the project to the target population.

## **B. Fiduciary**

89. **FM.** The FM arrangements of the project are assessed as High risk. The ACC-CU has no experience in implementing World Bank-funded projects. Furthermore, the project is complex in that the local-level activities are scattered and the division of responsibilities among the ACC-CU and other stakeholders as well as the accountability mechanisms are yet to be defined and described in the POM together with corresponding work and information flows for each type of activity. The FM arrangements are assessed as moderately satisfactory. The details of the assessment, the FM system for the project, and the risk mitigation measures are found in Annex 2. The arrangements will be strengthened upon implementation of the action plan items listed in Annex 2.

90. The following table briefly summarizes the assessment with respect to various elements of country system which will be used for FM:

**Table 3. Country system FM elements and use within the project**

<b>Element of country system</b>	<b>Extent used for this project</b>
Budgeting	The ACC-CU will budget separately for the project in line with the procurement and implementation plans.
Internal Controls	The ACC's existing controls will be used. In addition, project-specific controls will be added to complement the internal control framework.
Staffing	The officers in the ACC-CU will have the overall FM responsibility of the project. The ACC-CU officers and primary ACCs, if necessary, will be supported by consultants who will be recruited for the project.
Accounting and Reporting	There will be dual accounting for the project. The main accounting system of the ACC-CU will be used for statutory accounting and reporting in Turkish lira and in line with the Ministry of Treasury and Finance regulations. The ACC-CU will also maintain a parallel accounting system at the PIU level for foreign currency project accounting and reporting on cash basis. Both records will be reconciled by the Accounting and Finance Department on a regular basis.
Flow of funds	A Designated Account (DA) will be opened in a bank (such as Ziraatbank) for transfers from the grant account as well execution of project-related payments.
Auditing	The ACC-CU will contract independent auditors acceptable to the World Bank for the annual audit of the project throughout implementation. The ACC-CU will also be required to contract independent auditors for two compliance audits for Components 1 and 2, respectively.

91. The general requirements for the ACC-CU throughout the implementation will be the following:





- (i) To maintain an adequate project FM system;
- (ii) To dedicate enough FM staff and consultants throughout the implementation and payment period of the project;
- (iii) To prepare interim unaudited financial reports for the project on a quarterly basis and submit these to the Bank no later than 45 days after the end of each quarter;
- (iv) To contract independent auditors acceptable to the Bank on terms of reference acceptable to the Bank;
- (v) To submit the audit reports of the project accompanied with a Management Letter of auditors to the Bank within six months of the end of each fiscal year; and
- (vi) To publicly disclose the audit reports on the ACC-CU website.

92. Additional requirements for the ACC-CU will be to contract independent auditors on terms of reference acceptable to the Bank to perform specific agreed-upon procedures (compliance audit conducted in line with the International Federation of Accountants (IFAC) International Standard on Related Services (ISRS) 4400 on Engagements to Perform Agreed-Upon Procedures Regarding Financial Information) regarding project expenditures to verify that the expenditures incurred by the project are eligible and the internal control measures and processes set forth in the POM are satisfactorily applied and documented. Two compliance audits will be conducted: the first one for Component 1 after the first year of effectiveness and the second one for Component 2 after the second year of effectiveness. The reports will be submitted to the Bank within six months following the specified dates. The ACC-CU will be responsible for the initiation of these audit works on time and within the agreed scope.

93. **Procurement.** The World Bank Procurement Regulations for IPF Borrowers, July 2016 revised in November 2017 and August 2018 (Procurement Regulations), will apply to the proposed project. Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006, and revised in January 2011, and as of July 1, 2016 (Anti-Corruption Guidelines) will also apply to the proposed project. A General Procurement Notice has been published on the World Bank's external website and United Nations Development Business online.

94. A PPSD has been prepared by the ACC as required by the Procurement Regulations to determine the optimum procurement approach to deliver the right procurement result under the proposed project. The PPSD proposed that all procurements under the project will be conducted by the ACC PIU. It is envisaged that the sizes of the procurements in the project are generally small and their risks are also low. The PPSD further proposed that the TRC has experience and capacity of exceptional worth for such an emergency project, and fit-for-purpose considerations require the ACC to have a sole source contract with the TRC for the outreach activities required under Component 1.1 of the project.

95. The World Bank performed a procurement assessment for the project, with a focus on the implementing agency (ACC-CU). The ACC does not have experience in the implementation of the Bank's Procurement Regulations. Given the emergency nature of the project and limited implementation time and taking into account the absence of procurement experience of the ACC under Bank-financed projects, the overall procurement risk for the project is assessed as Substantial. More details on the findings of the procurement assessment, the proposed procurement supervision arrangements, risks, and relevant mitigation measures to address them are provided in Annex 2. The assessment was recorded in the Procurement Risk Assessment and Management System of the Bank.



### C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

### D. Environmental and Social

96. The project aims at increasing on-farm and off-farm agricultural employment of refugees and Turkish citizens in selected provinces by increasing the demand for formal employment among farms engaged in ACC contract farming schemes and through improving the technical skills and employability of rural workers. While no physical works will be financed, the project will provide financial assistance to eligible employers willing to formally employ workers. This financial assistance will be in the form of support to the employers to pay their formal employees' wages, registration costs, social security premiums, income taxes, and stamp taxes. Also, the project will finance micro- and small-scale grants to ACC cooperatives for the purchase of goods and equipment to stimulate and support secondary agricultural production with the aim of increasing the demand for contract farming schemes among farmers.

97. The E&S risk review indicates the following standards to be relevant for this project: *ESS 1 Assessment and Management of Environmental and Social Risks and Impacts, ESS 2 Labor and Working Conditions, ESS3 Resource Efficiency and Pollution Prevention and Management, ESS4 Community Health and Safety, ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources, and ESS10 Stakeholder Engagement and Information Disclosure.*

98. To address E&S risks and impacts which might be associated with the activities implemented by the project beneficiaries supported through providing employers with wage subsidies, meeting registration costs, social security premiums, income and stamp duty liabilities for community workers working in the agricultural sector, and through the provision of micro- and small-scale grants to ACC cooperatives to stimulate secondary agricultural production, the ACC prepared a draft ESMF which will be finalized and disclosed 15 days after effectiveness. The ESMF establishes a mechanism for screening and assessing anticipated E&S risks and describes the procedures and responsibilities for the preparation, disclosure, and implementation of site-specific E&S due diligence documentation and respective mitigation measures. The ESMF also provides guidance on the use of pesticides and fertilizers, in line with respective national regulations and World Bank Environmental Health and Safety Guidelines (EHSG). The project will benefit from the introduction of good farm/organic farm practices to the extent possible. Occupational health and safety (OHS) measures, especially for in-farm practices, are also covered under both the ESMF and Labor Management Procedures (LMP), as relevant.

99. The project majorly aims to support formal wage workers who are longer-term workers rather than seasonal migrant workers, among which child labor and informality conditions are mostly encountered. The current legislation in Turkey defines seasonal agricultural work as one where the worst types of child labor are encountered and introduces ban for hiring children under the age of 18 for agricultural work. The Turkish Ministry of Family, Labor and Social Services has been executing a National





Program on Elimination of Child Labor (2017–2023) in Turkey and has introduced strict measures to prevent involvement of children in worst forms of child labor in different sectors, including agriculture. However, with the high informality in the sector, child labor remains an important problem. According to Turkstat's 2012 Child Labor Force Survey which contains the most recent national data regarding child labor in Turkey, 893,000 children between the ages of 6 and 17 are working and 44.7 percent of all working children (399,000) are employed in agricultural production. Other data resources, such as the US Department of Labor, state in the child labor report on Turkey (2018) that out of 320,254 children of ages between 6 and 14 years who are working, 57 percent worked in agriculture.

100. The project design and ESF instruments aim to minimize the risks of child labor and informal work which are associated with the agriculture sector in Turkey. The project will support formal employment for persons above the age of 18 years. The formality of employment will be verified by the Turkish Social Security Agency and the project will establish age verification procedure. In addition, project monitoring activities will include periodic visits to farms employing community workers. Since the Labor Code does not apply to agricultural enterprises employing less than 50 workers, the project will include labor protections equivalent of the Labor Code in the contracts with community workers receiving wage subsidies, which are all covered under the project's LMP drafted by the ACC. In addition, the project will also include child protection measures<sup>60</sup> to be specifically developed during implementation based on the agricultural characteristics, needs of workers, and labor practices of different crops, rather than taking a universal approach. A worker's grievance mechanism will be developed and made accessible both in Turkish and Arabic languages.

101. The ACC prepared a Stakeholder Engagement Plan (SEP) which was disclosed in Turkey on February 22, 2020. The SEP provides details of the project-level grievance mechanism which will adapt the ACC's existing and functional GRM to include submissions of anonymous grievances and will be available in both Arabic and Turkish.

102. To build institutional capacity, the ACC will expand its PIU by hiring one environmental staff to manage the implementation of the ESMF and one social staff to oversee labor and stakeholder engagement related issues as well as the management of the GRM. The ACC PIU will receive additional ESF training before effectiveness and will be supported by the Bank's ESF team throughout implementation, as needed.

## E. Corporate Requirements: Citizen Engagement, Gender and Climate Change

103. **Gender equity.** Despite improvements in recent years, female labor force participation (FLFP) rates continue to be very low at 34 percent, compared to 73 percent for men. Agriculture is a major sector of work for economically active women, with 26 percent of female employment working in agriculture and women making up close to half the agricultural workforce.<sup>61</sup> Refugee women are more prone to early marriages and less likely to be economically active compared to Turkish women. Public activities including contacts with agricultural intermediaries, neighborhood foremen (*muhtar*), and local community is almost exclusively conducted by the men of the household, indicating that financial matters of refugee women

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<sup>60</sup> The project benefits from the Bank's EHSG and the FAO Guidance Note: Child Labour in Agriculture in Protracted Crises, Fragile and Humanitarian Contexts.

<sup>61</sup> Turkish Statistical Institute Household Labor Force Survey, 2018.



are also in the hands of the men. The project aims to respond to the gender inequalities in access to paid income by promoting the equal participation of women in the project. For women receiving the wage subsidy, their terms of employment and payment will be the same as male beneficiaries, which will contribute toward addressing the gender gap in payment in agriculture. This aim will be tracked through the Results Framework, which includes a target of just over 50 percent female participation in the project. In recognition of the fact that women face a range of barriers to employment, efforts will be made to promote linkages with NGOs and social enterprises<sup>62</sup> to help extend access to safe childcare for female beneficiaries. The M&E of the project will seek to consider the unique needs of female beneficiaries, including the barriers they face in accessing employment, so that the project may better respond to these through implementation.

104. **Citizen engagement.** The project has benefited from consultations with potential beneficiaries (refugees and host community agricultural workers), farmers, farmer members of ACCs, and the Agricultural Chamber of Commerce. These consultations were carried out during project preparation and formalized through the consultations on the SEP. The project will continue to solicit feedback from citizens throughout project implementation through: (a) establishing a complaint and grievance mechanism (GRM) that will channel feedback to the ACC-CU and relevant bodies of the Turkish Government for more serious complaints (such as those related to corruption or gender-based violence [GBV]); (b) building into the training provision a feedback loop whereby beneficiaries provide feedback on the quality of the training, the extent to which it met their needs, and how it could be improved; and (c) regular monitoring, independent verification, and process assessments that will include interviews with beneficiaries, farmers, and community members to solicit their feedback on project implementation and performance. The project will seek to close the feedback loop to citizens by (a) providing feedback to people who lodge complaints with the GRM on the action taken in response to the complaints and (b) disseminating the findings of the monitoring activities through the communication activities of the project. These efforts will be tracked through the Results Framework, which includes indicators to assess the satisfaction of beneficiaries and farmers with the project.

105. **Climate change and climate disaster risk screening.** The agriculture sector in Turkey is very vulnerable to the risks posed by climate change. By 2050, average annual temperatures are expected to rise by 2.5 degrees Celsius accompanied by a significant rise in the number extremely hot days with both factors adversely affecting agricultural productivity. Turkey also faces the risk of drought, with drought conditions likely to occur roughly once every four years. Climate change will affect crop suitability as well as yields in several parts of the country, with arid and semi-arid areas at risk of desertification. These effects of climate change will exacerbate the already vulnerable working conditions of large sections of the agricultural work force who work as informal seasonal laborers. The proposed project will assist the beneficiaries adapt to climate change through the provision of skills training and improved employability, which may assist them to seek out new work in less-affected crops or sectors. For the farmers, the ACC wishes to promote climate-smart agriculture to the extent possible through the use of contract farming. The project will seek to support this objective through the training and other support provided to farmers and primary ACCs.

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<sup>62</sup> Linkages will be promoted with the World Bank's Turkey: Social Entrepreneurship, Empowerment and Cohesion (SEECO) Project, which is also funded through FRIT II.



106. The project has been screened for climate and disaster risks using the Bank's online screening tool at <https://climatescreeningtools.worldbank.org>. The project aims to improve conditions for creation of formal employment in the agriculture sector, and includes several features aimed to reduce risks faced by farmers and workers. These features include expanded use of contract farming, as well as technical and soft skills training which, by increasing worker and farm productivity, will contribute to increased incomes and promote resilience against and adaptation to climate-change-related shocks (such as droughts). Refugees and women—groups that are particularly vulnerable to climate risks—will make up a significant share of project beneficiaries. Through the project, some beneficiaries will also be enrolled in Turkey's social insurance program, providing further protection from climate change induced shocks in the medium term. The project also invests in capacity building in farmers' cooperative organizations including a jobs matching portal as well as M&E tools which are expected to aid in boosting productivity and mitigating the effects of shocks.

## V. GRIEVANCE REDRESS SERVICES

107. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## VI. KEY RISKS

108. The overall risk rating of the proposed project is Substantial. This risk rating is largely driven by the technical design of the project, institutional capacity for implementation, sustainability, fiduciary, and social risks. All other risks are rated as Low or Moderate.

109. **Political and governance risk is rated Substantial.** At a macro-political level, Turkey's context, while generally stable, bears transitional risks due to recent changes to its constitutional and decision-making processes, the protracted Syria crisis, and refugee spillover effects. While Turkey's response to hosting over four million refugees has been cited as an example of government-led support to refugees among other countries facing similar challenges, public perception within Turkey remains mixed, exacerbating tensions in some areas. As a result of the ongoing uncertainties in northern Syria, there are increased security and political challenges in areas targeted by the proposed project in southeastern Turkey, and the ongoing international debate on refugees' potential return to Syria is creating a risk of different views on donor-financing of refugee projects in Turkey. Any risk that might arise would be mitigated by the continuous dialogue and assessment of the policy reforms by the Government together with the World Bank and other development partners and stakeholders and technical support to address capacity limitations.



110. **Macroeconomic risks are rated as Substantial.** Following a recession in late 2018 and early 2019, Turkey's economy was beginning to recover before being struck by a COVID-19 pandemic-induced slowdown. The combination of adverse global and domestic conditions of uncertain duration is expected to cause a severe economic slowdown that could hit Turkey particularly hard given the country's reliance on trade and international capital flows. Key macroeconomic risks to the project include: (a) high corporate leverage and low aggregate demand may affect firms' ability to expand production and employment; (b) external shocks, primarily related to COVID-19, may adversely impact exchange rates and prices; and (c) geopolitical risks, including possible sanctions, could delay economic recovery. The macroeconomic risks should be mitigated through consistent and credible macroeconomic policies, clearly communicated to investors, and implementation of ongoing corporate debt restructuring. The World Bank will continue macro-financial analysis, maintain policy dialogue with economic agencies, and continue to offer TA as requested by the authorities.

111. **The technical design risk is rated as Substantial.** The design of the project draws on international evidence and experience from interventions that aimed to promote better employment outcomes among marginalized and hard-to-reach populations. Despite this, the project design faces two main risks. First, the project is implemented in a unique context characterized by the sector of focus (agriculture) in which most employers and workers operate informally, with very few incentives to move into formal arrangements. Therefore, the project faces the risk of failing to find enough employers and potential workers to achieve its overall goal. To mitigate this risk, the proposed project has carefully calibrated the amount and parameters of wage subsidy to ensure that it incentivizes farmers and workers to be engaged in formal contracts but low enough to avoid over-subsidizing farmers or create market distortions. This calibration has been carried out based on field work conducted during preparation and analysis of available data; furthermore, the project will carry out ongoing analysis to adjust such parameters as necessary. Both risks (willingness of farmers and workers to participate in the project) will be further mitigated by implementing an effective communication strategy and conveying strong messages to the target groups emphasizing the benefits to be derived by their participation. Second, there is the risk associated with the fact that the activity is generating insufficient volume of contract farming schemes by the primary ACCs throughout the project implementation period. This risk will be addressed by improving the contract farming capacity of the ACC through outreach and visibility activities, improvement of the ACC's institutional and legal capacity on contract farming and production planning, and financing micro/small secondary production-related investments to boost contract farming capacity.

112. **Institutional capacity for implementation and sustainability risk is rated as Substantial.** While the ACC-CU and its network of RUs and primary cooperatives is a well-functioning organization, the proposed project introduces new objectives and functions to the ACC, which may compete with the regular operations of the ACC and delay project activities. This is also the first time that the ACC will administer a World Bank project, which may create delays in implementation. The project has included a set of mitigation measures to address these risks. First, the project will be implemented by the ACC-CU and its existing administrative capacity with the support of a full-fledged PIU comprising all necessary technical, fiduciary, and operational staff and working closely with the corresponding departments within the ACC-CU, as explained in the Implementation Arrangements section. Second, the design of the project proposes to outsource those functions which are beyond the current mandate of the ACC and/or where international experience has proven that the private sector can play a key role. For this reason, a third-party with expertise working with refugees and ESSN beneficiaries will be contracted for the project outreach and the training will be contracted out to the private sector. Third, the proposed project includes



an extensive set of activities and TA to enhance the capacity of the ACC to manage additional contract farming schemes and implement the activities under its responsibility, also indicated in the Implementation Arrangements section. Finally, the COVID-19 pandemic may limit scope for in-person meetings and engagement. However, to date, agriculture has been deemed an essential service in Turkey and the ACC has adopted precautionary measures to prevent the spread of the coronavirus among its staff and member farmers.

113. **Fiduciary risks are rated as High.** The ACC-CU has no experience in implementing World Bank-funded projects and the project is complex in that the local-level activities are scattered and the division of responsibilities among the ACC-CU and other stakeholders as well as the accountability mechanisms are yet to be fully defined and include the contracting of a number of service providers. Furthermore, the POM, which will also include the workflows, information flows, and internal controls for verification of eligible expenditures, execution of payments, accounting, and documentation requirements, is yet to be prepared. This risk will be mitigated by several measures included in an action plan to be adopted by the ACC. Additionally, the proposed project will support the mitigation of this risk by (a) establishing a PIU, which will include adequate number of specialized fiduciary staff to support the implementation of the project and ongoing support from the fiduciary staff from the Bank and ( ) carrying out additional monitoring activities, specifically independent spot checks, that will help ensure that any issues are identified early and acted upon by the ACC.

114. **The environmental risk is rated as Moderate and the social risk is rated as Substantial.** The environmental risks relate to potential incremental environmental impacts which might be caused by improvements in agricultural production under Component 1 (crop production and pesticide use) arising from the adoption of contract farming and ensuring OHS conditions of the workers employed and those benefiting from wage subsidies are in line with national regulations and World Bank EHS and Good International Industry Practices (GIIP). Component 2 will provide support for the purchase of equipment and goods for secondary agricultural production (drying, storage, grading, and packaging of agricultural produce), which may be associated with the risks of generation of non-hazardous wastes, unsustainable use of resources (electricity, water), noise and vibration due to the operation of equipment, and improper OHS at the production sites. The anticipated environmental risks are not significant, are temporary, and can be either avoided or managed by the implementation of adequate mitigation measures. Therefore, the project environmental risk is rated Moderate. The project is anticipated to have positive impacts on formalization of workers in the agriculture sector and increasing employability of unskilled and semi-skilled workers and will provide micro- and small-scale grants to primary ACCs for the purchase of equipment and goods for secondary agricultural production (drying, storage, grading, and packaging of agricultural produce). It is not expected to cause any direct irreversible or unmanageable impacts, as it will not support any construction/physical works, therefore risk and impacts related to land acquisition and involuntary resettlement and cultural heritage are not expected. While the intrinsic project risks are moderate, contextual social risks to the project are substantial, but these are addressed through both the project design and the ESF instruments (ESMF, LMP, and SEP).



## VII. RESULTS FRAMEWORK AND MONITORING

### Results Framework

COUNTRY: Turkey

Agricultural Employment Support for Refugees and Turkish Citizens through Enhanced Market Linkages

#### Project Development Objectives(s)

To improve the conditions for formal agricultural employment opportunities in selected host communities

#### Project Development Objective Indicators

Indicator Name	PBC	Baseline	End Target
<b>To improve conditions for formal agricultural employment opportunities in selected host communities</b>			
Number of refugees and host community members who completed short term vocational skills trainings (Number)		0.00	15,000.00
Number of refugee workers who completed short term vocational skills trainings (Number)		0.00	7,500.00
Number of formal jobs created (Number)		0.00	8,000.00
Number of formal jobs created for refugees (Number)		0.00	4,000.00
Number of employers participating in the project (Number)		0.00	12,000.00
Number of ACC members entering into contract farming in primary ACCs participating in the project (Number)		714.00	4,070.00
Number of refugees and host community members provided with basic labor market skills (soft/life skills) training (Number)		0.00	15,000.00
Number of refugees provided with basic labor market skills		0.00	7,500.00



Indicator Name	PBC	Baseline	End Target
(soft/life skills) training (Number)			

### Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
<b>Enhancing employment opportunities through contract farming</b>			
Number of employers receiving formalization support (Number)		0.00	3,000.00
Contracts signed with formal employment support condition (Number)		0.00	5,000.00
Standard contracts developed in line with international best practices (Text)		Contracts are including basic articles	Standard contracts developed in line with international best practices
Number of trainings delivered (Number)		0.00	1,370.00
Agriculture employment database established (Text)		No system	System functional
Number of workers registered in the employment database (Number)		0.00	30,000.00
Number of employers formalized (Number)		0.00	500.00
Number of beneficiaries enrolled in training database (Number)		0.00	45,000.00
Number of refugee beneficiaries enrolled in training database (Number)		0.00	22,500.00
Number of employers receiving technical assistance (Number)		0.00	10,000.00
Proportion of trainees satisfied with the training received (Percentage)		0.00	75.00
Proportion of farmers satisfied with the program (Percentage)		0.00	75.00
Beneficiaries of job-focused interventions (CRI, Number)		0.00	38,000.00





Indicator Name	PBC	Baseline	End Target
<b>Increasing demand for contract farming</b>			
Number of micro-grants awarded to primary ACCs (Number)		0.00	28.00
<b>Implementation support and institutional capacity building</b>			
Contract farming system adjusted to include labour support and skills (Text)		No integrated system	ERP modules are operated successfully
Local, Regional and Central Union ACC staff trained (Number)		0.00	1,500.00
GRM functional for project beneficiaries (Text)		Not functional	Fully Functional
Percent of workplace complaints resolved in stipulated time frame (Percentage)		0.00	85.00
Total number of 'person training days' provided to ACC staff (Number)		0.00	3,000.00

#### Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of refugees and host community members who completed short term vocational skills trainings	Measures the number of workers who received technical training (disaggregated by sex of beneficiary, their age and refugee status) and assesses the increased skills of workers	Quarterly	Quarterly monitoring reports	Administrative data	ACC PIU





Number of refugee workers who completed short term vocational skills trainings	Measures the number of refugee workers who received technical training and assesses the increased skills of workers	Quarterly	Quarterly monitoring reports	Administrative data	ACC PIU
Number of formal jobs created	Measures the number of formal jobs created, which is defined as the provision of a wage subsidy (disaggregated by gender, age and refugee status)	Quarterly	Quarterly monitoring reports	MIS	ACC PIU
Number of formal jobs created for refugees	Measures the number of formal jobs created for refugees	Quarterly	Regular monitoring reports	Regular monitoring reports	ACC PIU
Number of employers participating in the project	This indicator measures the number of employers participating in the project, which shows the increase in demand for labor through the project. Employers are defined as farmers who receive any one element of the package of support detailed under Component 1 and the primary ACCs that receive support under Component 2 (disaggregated by gender, age).	Quarterly	Administrative data	Administrative data	ACC Marketing Department
Number of ACC members entering into contract farming in primary ACCs	This indicator measures the number of ACC members	Quarterly	Project monitoring	MIS	ACC PIU



participating in the project	entering into contract farming in primary ACCs participating in the project, which is an indicator for the increase in demand for contract farming (disaggregated by gender, age)		reports		
Number of refugees and host community members provided with basic labor market skills (soft/life skills) training	Measures the number of workers who received soft skills (disaggregated by sex of beneficiary, their age and refugee status) and assesses the increased skills of workers	Quarterly	Project monitoring reports	Administrative data	ACC PIU
Number of refugees provided with basic labor market skills (soft/life skills) training	Measures the number of refugee workers who received soft skills training and assesses the increased skills of workers	Quarterly	Project monitoring reports	Administrative data	ACC PIU

#### Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of employers receiving formalization support	This indicator measures the number of agricultural employers receiving support to formalize their workers under the project (disaggregated by gender,	Quarterly	MIS	Project monitoring reports	ACC



	age).				
Contracts signed with formal employment support condition	This indicator measures the number of contract farming schemes signed by ACC with farmer members that include support to improve the supply and demand of workers.	Quarterly	MIS		ACC
Standard contracts developed in line with international best practices	This indicator measures the aim of improvement in the terms and conditions of contract farming offered by ACC based on international best practice.	Quarterly	Marketing Department's contract farming contracts		ACC
Number of trainings delivered	This indicator measures the number of training courses successfully provided through the project.	Quarterly	MIS		ACC
Agriculture employment database established	This indicator measures the establishment of the employment database that will be created to support the matching between employers and employees through the project.	Quarterly	MIS		ACC
Number of workers registered in the employment database	This indicators measures the number of worker who are registered into the worker database that will support the matching of employers and employees.	Quarterly	MIS		ACC



Number of employers formalized	This indicator measures the number of employers (farmers) who formally register in Turkey's SSI as a result of the project so that they may hire workers formally (disaggregated by gender, age)	Quarterly	Administrative data	Project monitoring reports	ACC
Number of beneficiaries enrolled in training database	This indicator measures the number of beneficiaries (potential workers) who enroll in the training (including softs, technical and language training) under the program (disaggregated by gender, age and refugee status)	Quarterly	Administrative data		ACC
Number of refugee beneficiaries enrolled in training database	This indicator measures the number of refugee beneficiaries (potential workers) who enroll in the training (including softs, technical and language training) under the program	Quarterly	Regular monitoring reports	MIS	ACC PIU
Number of employers receiving technical assistance	This indicator assesses the number of employers (formal and informal) receiving technical assistance and training as a result of the project.	Quarterly	Administrative data		ACC
Proportion of trainees satisfied with the training received	Measures the proportion of trainees who report being	Quarterly	Survey data	Beneficiary survey	ACC PIU



	satisfied with the training provided under the project (disaggregated by gender, age and refugee status)				
Proportion of farmers satisfied with the program	Measures the proportion of farmers who report being satisfied with the program which will help assess both the functioning of the program, as well as the likelihood that they retain the formal jobs created under the program	Quarterly	Survey data	Beneficiary survey	ACC PIU
Beneficiaries of job-focused interventions		Quarterly	Project monitoring reports	MIS	ACC PIU
Number of micro-grants awarded to primary ACCs	This indicator measures the number of micro-grants awarded to primary ACCs under Component 2 to strengthen the contract farming value chain.	Quarterly	Project monitoring reports	MIS	ACC PIU
Contract farming system adjusted to include labour support and skills	This indicator measures the enhancements to the management information system of ACC to track the labor-related inputs to be provided as part of the contract farming schemes.	Quarterly	MIS		ACC
Local, Regional and Central Union ACC staff trained	This indicator tracks the number of ACC staff trained	Quarterly	MIS		ACC



	as a result of the project.				
GRM functional for project beneficiaries	This indicator assesses the functionality of the GRM system to accept, route and respond to complaints from project beneficiaries and community members.	Quarterly	MIS		ACC
Percent of workplace complaints resolved in stipulated time frame	This indicator measure functioning of the GRM as set out in the Operations Manuel.	Quarterly	MIS		ACC
Total number of 'person training days' provided to ACC staff	This indicator tracks the number days of training provided to ACC staff trained as a result of the project. The target is based on an assumption that training sessions will be two days on average	Quarterly	Project monitoring reports	Administrative data	ACC PIU



## ANNEX 1: ACC's Contract Farming

COUNTRY: Turkey

### Agricultural Employment Support for Refugees and Turkish Citizens through Enhanced Market Linkages

#### Contract farming: an introduction

115. While increased market liberalization, globalization, and expansion in agribusinesses have contributed to increased incomes, small farmers have often failed to benefit from these gains. As larger farms become increasingly necessary for profitability owing to economies of scale, there is a real risk that small farmers will become marginalized within ongoing efforts to promote agribusiness, which could further undermine efforts to improve the well-being of small-holder farmers. However, attempts by governments and development agencies to arrest this trend and raise agricultural incomes are often stymied by the absence of the necessary backward and forward market linkages. Small rural farmers lack both reliable and cost-efficient inputs such as extension advice, mechanization services, seeds, fertilizers, and credit, as well as guaranteed and profitable markets for their output.<sup>63</sup>

116. Contract farming offers the opportunity to provide such linkages and boost agricultural productivity and incomes. Contract farming is a forward-looking agreement regarding the supply of an agricultural commodity between a grower (or a group of growers) and a processor. Under such an arrangement the farmer commits to provide a specific commodity (often at pre-specified prices) at quality standards as determined by the purchaser. The exact nature of the agreement between the farmer and the buyer also varies along the dimension of support provided by the buyer to the grower. Broadly speaking, three kinds of arrangements exist:<sup>64</sup>

- **Market specification:** The grower and buyer agree only to the terms and conditions for the sale and purchase of a crop or livestock product at a specified future date, and no further support is provided by the buyer.
- **Resource provision:** In conjunction with the marketing arrangements, the buyer supplies selected inputs, such as access to credit and technical advice.
- **Production management:** Such an arrangement is closest to complete vertical integration, with the farmer agreeing to follow recommended production methods, inputs regimes, and cultivation and harvesting specifications.

117. Contract farming offers several benefits to both farmers and buyers, including<sup>65</sup> reducing the price risk faced by farmers (if prices are pre-specified), as well as quantity and quality risks faced by buyers; reducing transaction costs of having to find trading partners on the spot market; addressing the problems

<sup>63</sup> Eaton, C., and A. Shepherd. 2001. "Contract Farming: Partnerships for Growth." FAO Agricultural Service Bulletin.

<sup>64</sup> Mighell, R., and L. Jones. 1963. "Vertical Coordination and Contract Farming." Washington, DC, United States, Department of Agriculture.

<sup>65</sup> Bellemare, Marc F., and Lim Sunghun. 2018. "In All Shapes and Colors: Varieties of Contract Farming." *Applied Economic Perspectives and Policy* 40: 379–401.





of missing credit markets (especially for small farmers); providing access to new technologies and advanced production skills; and promoting food safety by ensuring quality control.

### **Contract farming in Turkey**

118. Contract farming in Turkey dates back to the 1970s for certain products such as tomatoes, cereals, and sugar beets.<sup>66</sup> The use of contract farming has enhanced productivity, with existing evidence pointing to higher productivity and profit levels under contract farming compared to farmers who sell through spot markets owing to more efficient use of labor and technology.<sup>67</sup>

119. Despite the benefits afforded by contract farming, certain constraints have limited take-up and growth. These include limited bargaining power of individual farmers in securing favorable terms while negotiating with large retailers; limited understanding of the details of the contract; and the absence of agencies to resolve disputes surrounding the terms of the contract.

120. In recent years, however, there has been a renewed focus on contract farming owing to the rise in food price inflation and the Government of Turkey is keen on leveraging agriculture value chains to boost productivity and bring prices under control. In 2019, the Government announced the New Economic Program with a particular focus on the agriculture sector. The program aims to establish strong agriculture value chains, promote the use of contract farming, and introduce reforms in the agricultural cooperative systems of Turkey.<sup>68</sup>

121. As part of this agenda the Government is keen on reducing the number of players along the agricultural value chain. This framework, therefore, envisages an expanded role for cooperatives (see Figure 1.1) in aggregating and marketing crops under contract farming by signing new agreements with private retailers (such as Migros, Carrefour, A 101, and so on) and processors (such as the Fruit Juice Industry Association and the Pasta Industry Association).

122. The ACC is one of the largest farmers' cooperatives in the country and purchases roughly TL 1,250 million (US\$160 million) worth of agricultural produce annually, with this figure expected to increase in the coming years. While the ACC uses contract farming as well as a harvest-end spot purchase model to procure agricultural produce, in recent years both the number of participating farmers as well as the share of contract farming in total purchases has been rising. For example, in 2018, 3,900 farmers signed contracts which rose to 6,800 in 2019, whereas in the same period the share of contract farming in the total volume of procurement rose from 15 percent to 20 percent. The ACC plans to increase these numbers substantially in the coming years by leveraging reforms to regulations being planned under the New Economic Program. These reforms include registration of all farmers participating in contract farming in the National Farmer Registration System, strengthening the links between cooperatives, financial institutions, and buyers, and additional financial support to farmers participating in contract farming.

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<sup>66</sup> Dellal, Ilkay, Kai, Satoshi, and Sibel Tan. 2004. "The Socio-Economic Analysis of Contracted Turkey Farms: The Turkish Case." *Journal- Faculty of Agriculture Kyushu University* 49: 513–524.

<sup>67</sup> Tatlidil, Fusun, and Duygu Akturk. 2004. "Comparative Analysis of Contract and Non-Contract Farming Models in Tomato Production." *Journal of Agronomy* 4 (3): 305–310.

<sup>68</sup> New Economic Program, Structural Transformation Steps, Ministry of Finance, 2019.



**Figure 1.1: The Role of the Cooperatives in Contract Farming**



Source: Adapted from a presentation made at the Agricultural Council Final Meeting.

123. Currently, there is significant heterogeneity in the use of contract farming across the project provinces. For example, the provinces of İzmir and Bursa have seen substantial growth in the number of participating farmers, while contract farming levels in Adana and Gaziantep are low. Several factors such as average farm size, access to information, as well as cropping patterns are responsible for these differences. For example, farmers in Bursa and İzmir are very familiar with contract farming in tomato owing to the presence of several tomato factories in these provinces. On the other hand, farmers in Adana and Gaziantep prefer selling products on their own, owing to their larger farm sizes.

### ACC's contract farming

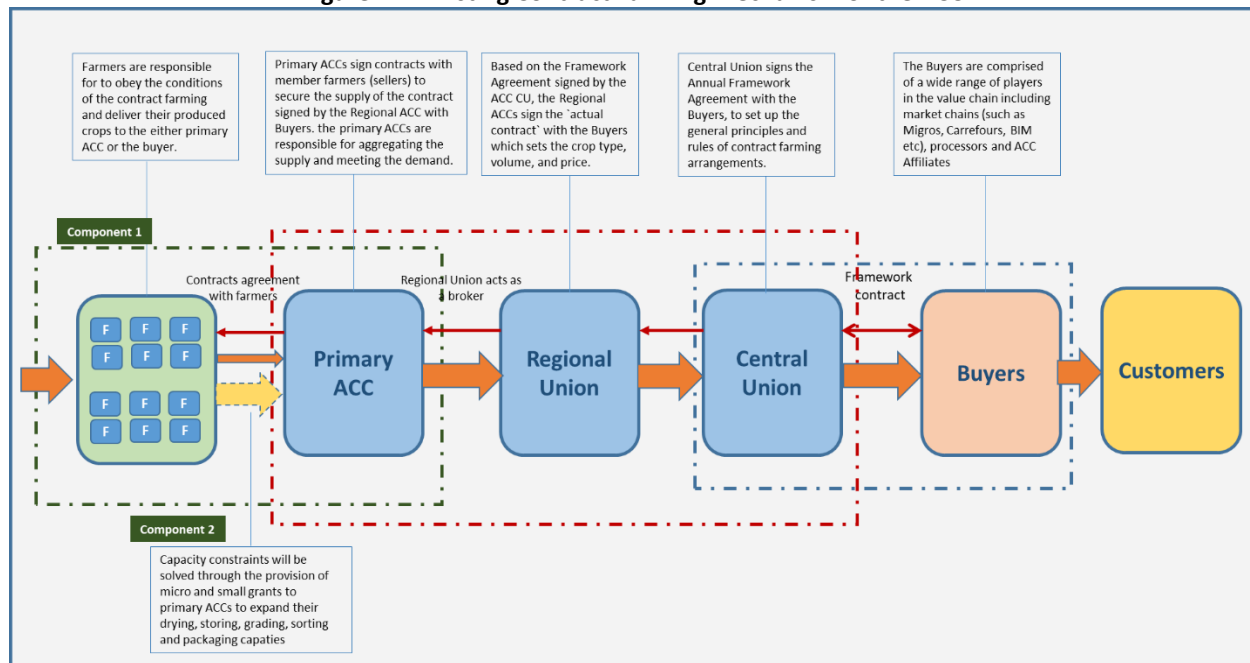
124. Through its execution of contract farming schemes, the ACC network functions as a bridge to integrate its members into agricultural product markets. The following are the roles and responsibilities of the different tiers of the ACC in the process (see also Figure 1.2):

- (a) **ACC-CU:** The ACC-CU signs the Annual Framework Agreement with the buyers to set up the general principles and the rules of contract farming arrangements for a crop or groups of crops. The buyers typically include retail chains (such as Migros, Carrefour, and so on), processors, and state institutions (such as the Turkish Military and Universities). The ACC's Central Union Contract Farming and Product Evaluation Directorate has the overall responsibility to plan the total volume of contract farming and to make contractual arrangements with the buyers.
- (b) **RUs:** Based on the Annual Framework Agreement signed by the ACC-CU, the ACC-RUs sign the actual contract with the buyers which sets out in detail the crop type, volume, and price.<sup>69</sup> Thus, ACC-RUs play the role of a broker between the primary ACCs and the buyers.

<sup>69</sup> Prices are pre-specified only for a selected set of crops.

- (c) **Primary ACCs:** The primary ACCs sign contracts with member farmers (the sellers) to secure the supply of the crops as determined by the contract signed between the ACC-RU and the buyers. The primary ACCs play the critical role of aggregating supply from the member farmers and meeting the demand of the buyers. If the contracted crops are cereals, the member farmers deliver the products to the ACC warehouses in coordination with primary ACC, from where the buyers receive them. If the contracted crops are perishable in nature (such as fruits and vegetables), farmers either deliver them to the primary ACCs or directly to the buyers depending on the availability of storage facilities at the primary ACC.

**Figure 1.2. Existing Contract Farming Mechanism of the ACC**





## ANNEX 2: Implementation Arrangements and Support Plan

### COUNTRY: Turkey

#### Agricultural Employment Support for Refugees and Turkish Citizens through Enhanced Market Linkages

##### Financial Management

125. The FM arrangements of the project are assessed as high risk. The ACC-CU has no experience in implementing World Bank-funded projects. Furthermore, the project is complex in that the local-level activities are scattered and the division of responsibilities among the ACC-CU and other stakeholders as well as the accountability mechanisms are yet to be defined.

126. As the recipient of the grant, the ACC-CU will be required to (a) establish and maintain an FM system to adequately account and report for project activities throughout implementation, (b) prepare and send unaudited financial reports in euros on a quarterly basis in the format and content that will be determined by grant signing within 45 days following the calendar quarter, and (c) provide annual audit reports of the project financial statements (PFS) throughout the project's lifetime within six months following the calendar year end.

127. **Funds flow.** The ACC-CU will open a designated bank account in euros to be solely used for the project-related inflows and outflows. The responsibility of disbursing the grant funds to the DA and making payments for eligible project expenditures from the DA will lie with the ACC-CU authorized personnel with support from PIU consultants.

128. **Accounting system.** The ACC-CU is subject to the statutory accounting and reporting regulations. It has an in-house developed accounting and reporting system (E-Koop). However, this system, in its current form, does not enable project accounting and reporting in euros and in the necessary detail for project management and monitoring. While the ACC-CU will continue to use its system for the accounting in Turkish lira and in line with the statutory requirements, there will be a need to establish a system to capture the project transactions, monitor the project progress in detail and in foreign currency, and generate unaudited financial reports and PFS. For that purpose, the ACC-CU team, in collaboration with their IT Department, will ensure to have a parallel project management system including the accounting and reporting of the project as well. The procedures regarding project accounting and reporting will be integrated in the FM Manual.

129. **Internal controls.** The workflows for various components are yet to be finalized and documented by the ACC-CU. As a general principle, the ACC-CU will have the ultimate responsibility for establishing the necessary controls for the use of project funds for the purposes intended with due care on efficiency and economy. Therefore, all payments will be authorized by the ACC-CU with adequate documentation of eligible expenditures and the verification and approval of the latter by the authorized ACC-CU personnel. The internal controls will be documented in detail in the FM Manual for the project. The FM Manual will be an integral part of the POM that will be prepared in alignment with the legal project documents. The POM will be an effectiveness condition for the project. Some of the internal controls that will be established for the three components of the project and the related documentation flows to the ACC-CU for execution of payments are discussed below:



130. Subcomponent 1.1 will finance the cost of trainings provided to agricultural workers as well as the stipends of agricultural workers attending the trainings. The training providers will be contracted by the ACC-CU based on the demand from farmers. The procedures for collecting the demands and determining the trainings will be set forth in the POM. While delivering the training, the training providers will keep daily attendance sheets; based on which they will also make stipend calculations. The control and verification mechanisms and procedures for the delivery of training, attendance keeping, and stipend calculations will be defined in the POM. Based on the verified documents, the primary ACCs will send (a) acceptance of the training delivery and (b) the stipend payment request lists to the ACC-CU through the ACC PIU. The ACC-CU, with the assistance of the ACC PIU, will make payments to training providers and will transfer the stipends to trainees' bank accounts.

131. The ACC aims to extend the training program to include OJT to new workers of farmers who are formal employers. There will be a trilateral contract among the primary ACC, farmer, and worker stipulating the terms and conditions of the OJT. The project will finance the stipends and short-term SSI premiums of agricultural workers participating in the OJT. Supporting documentation for eligible expenditures will include, but not limited to, daily attendance sheets and, based on the days worked, monthly stipend and SSI premium calculations for the workers. The responsibility and accountability mechanisms for attendance keeping and payment calculations will be defined in the POM. Based on complete and verified documents, the primary ACCs will prepare summary payment requests lists indicating amounts to be transferred to each worker and the SSI and send the lists to the ACC PIU. The ACC-CU, with the assistance of the ACC PIU, will transfer the stipend amounts to the workers' bank accounts and the accrued premium amounts to the SSI.

132. All beneficiaries (farmers, trainees, and agricultural workers) under the project will be required to open bank accounts in the same bank as the project DA for operational purposes. This will enhance the controls over the bank transfers and better enable monitoring of flow of funds to the beneficiaries as the ACC-CU will have a framework agreement with the designated bank to facilitate such payments.

133. Subcomponent 1.2 will finance a percentage of the wages of agricultural workers that are formally employed and contracted by the farmers as well as the costs of registry and formalization, including SSI payments. Supporting documentation for eligible expenditures will include, but not limited to, daily attendance sheets, calculation of days worked, and monthly payrolls for the workers.

134. The ACC-CU is expected to define the workflows (attendance keeping, payroll preparation, calculation of the eligible amount to be financed by the project) and identify the documents and verifications necessary for the execution of payments. The ACC-CU is also expected to determine the correction procedures in case there are erroneous documents or payments. These flows as well as responsibilities and accountability mechanisms will be clearly defined in the POM.

135. The beneficiary farmers will be the 'Employers' of agricultural workers. The Employers will be responsible for generating the payroll of the agricultural workers, through their CPA if needed, paying the wages to their bank accounts, and for paying the corresponding social security premiums to the SSI. The Employers will submit the proofs of payments and supporting documentation in the agreed content and format to the primary ACCs. The primary ACCs will prepare and send to the ACC-CU PIU condensed payment request tables and lists, together with the supporting documentation, indicating the calculation of the amounts to be transferred to each Employer. The ACC-CU, after the final verification and approval



of calculated payment amounts by the ACC-CU PIU, will transfer the corresponding amounts to Employers' bank accounts.

136. Component 2 will finance micro and small-scale investments that are critical to the secondary production of the produce generated through the contract farming schemes at the primary ACC level. A separate 'small investments manual' detailing the application, selection, and implementation process for these investments will be developed and will be a disbursement condition for this component. The ACC-CU will procure the goods and services according to the approved small investment proposals. Upon receipt of acceptance reports of beneficiary primary ACCs, the ACC-CU will make payments to suppliers against invoices, with the assistance of the ACC PIU.

137. Component 3 will strengthen the capacity of the ACC to effectively implement the project and will finance the costs relating to project implementation and institutional capacity building. Procurements and payments under this component will be the responsibility of the ACC-CU, with the assistance of the ACC PIU. As in other components, the ACC PIU will support the responsible ACC-CU units in the verification, documentation, approval, and acceptance processes as well as accounting and reporting.

138. **External audit.** The ACC-CU has its consolidated entity financial statements audited on an annual basis. The audit reports are not publicly available. The independent auditors, KPMG, issued a modified (qualified) opinion on the 2017 and 2018 consolidated financial statements prepared in accordance with the International Financial Reporting Standards. The consolidation encompasses the ACC-CU, 17 RUs, 1,625 primary ACCs, and 17 affiliated companies. The qualifications relate to insufficient audit evidence for parts of the inventory, fixed assets, and trade payables accounts as well as intra-group transactions and several qualifications relating to an affiliated company. The auditors also included Emphasis of Matter paragraphs in their opinion, all relating to an affiliated company and the latter's affiliate. The Bank will review the ACC-CU audit reports as they become available but will not request a formal submission of entity audit reports for the project purposes.

139. The ACC-CU will submit project audit reports on an annual basis throughout the implementation and disbursement period of the project. To comply with the auditing requirements for the project, the ACC-CU will either contract independent auditors acceptable to the Bank for the financial and compliance audit of the project or expand the terms of reference of its current independent auditors to include the project accounts in line with the sample terms of reference that will be provided by the World Bank. The report will issue an opinion on the PFS. The annual project audit reports and the accompanying Management Letter of the auditors will be submitted to the World Bank within six months following each calendar year. According to the World Bank's Access to Information Policy, the project audit reports, excluding the Management Letter of auditors, will be made publicly available by both the ACC-CU on their website and by the World Bank.

140. The following chart identifies the project audit reports that will be required to be submitted by the project implementing entity together with the due date of submission:

Audit Report	Due Date
PFS, including Statements of Expenditures (SOEs) and DA. PFS include sources and uses of funds by category and by	Within six months after the end of each calendar year and at the closing of the project.



components; SOE, Statement of Designated Account, notes to the financial statements, and reconciliation statement.	
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141. Additional requirements for the ACC-CU will be to contract independent auditors on terms of reference acceptable to the Bank to perform specific agreed-upon procedures (compliance audit conducted in line with the IFAC's ISRS 4400 on Engagements to Perform Agreed-Upon Procedures Regarding Financial Information) regarding project expenditures to verify that the expenditures incurred by the project are eligible and the internal control measures and processes set forth in the POM are satisfactorily applied and documented. Two compliance audits will be conducted: the first one for Component 1 after the first year of effectiveness and the second one for Component 2 after the second year of effectiveness. The reports will be submitted to the Bank within six months following the specified dates. The ACC-CU will be responsible for the initiation of these audit works on a timely basis and in the agreed scope. These will be monitored by the World Bank during the supervision missions.

142. The FM arrangements of the project are assessed as Moderately Satisfactory at appraisal and will be brought to an acceptable level upon completion of the action plan items listed in Table 2.1.

**Table 2.1. FM Arrangements - Actions to Be Taken**

Action	Responsibility	Deadline
Prepare a chart of accounts for the project.	ACC-CU	By effectiveness
Finalize the FM Manual for the project, which is an integral part of the POM.	ACC-CU	By effectiveness

143. **Disbursement Arrangements.** The ACC-CU will open a DA at Ziraatbank. Advances should be requested to the DA based on project needs and planned project expenditures. All payments for the project will be made from this account. The DA can only be used for payment of eligible expenditures as they incur. Two signatures indicated in the list of authorized signatures submitted by the ACC-CU will be required on the withdrawal applications.

144. Disbursements from the Grant Account will follow the transaction-based method, that is, traditional World Bank procedures: Advances, Direct Payments, Special Commitments, and Reimbursement (with full documentation and against SOEs). The withdrawal applications will be prepared and authorized by the ACC-CU.

145. A detailed Disbursement and Financial Information Letter will be provided to the PIU as part of the legal package. The disbursements below specific thresholds indicated in the Disbursement Letter will be made according to certified SOEs. Full documentation in support of SOEs will be retained by the ACC-CU for at least seven years after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made. This information will be made available for review during supervision by World Bank staff and for annual audits which will be required to specifically comment on the propriety of SOE disbursements and the quality of the associated record-keeping.





## **Procurement**

146. **Applicable regulations.** The World Bank Procurement Regulations for IPF Borrowers – July 2016 revised in November 2017 and August 2018 ('Procurement Regulations') will apply to the proposed project.

147. **Anti-Corruption Guidelines.** The World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006 and revised in January 2011 and as of July 1, 2016 ('Anti-Corruption Guidelines') will apply to the proposed project.

148. **PPSD.** The Procurement Regulations requires the Recipient to develop a PSD for the project. Since the Recipient is considered to be in urgent need of assistance described under paragraph 12 of OP 10.00, a simplified PSD was prepared by the ACC-CU. The PSD describes how procurement activities support project operations for the achievement of the PDOs and deliver value for money. The PSD is linked to the overall project implementation strategy by ensuring proper sequencing of procurement activities. It provides information on institutional arrangements for procurement, roles and responsibilities, proposed thresholds and procurement methods, prior reviews, and other requirements needed for carrying out procurement. The PSD also includes a detailed description of the procurement capacity needed by the Project Implementing Agency for carrying out procurement with specific focus on managing contract implementation, governance structure, and accountability framework. In addition, the PSD is supported with a market research and the analysis assesses market-related risks and opportunities that will affect the preferred procurement approach to market strategy. According to the findings, it is not possible to identify the individual procurement packages for goods contracts for grants under Component 2 due to their demand-driven nature.

149. The PSD discussed that the design of the project proposes such functions which are beyond the current mandate of the ACC and/or where relevant experience can play a key role in achieving the PDO. For this reason, the TRC with expertise working with refugees and ESSN beneficiaries is required to be contracted on a sole source basis for the project outreach activities. The rationale behind this recommendation lays with the following considerations: a) The TRC is considered a high-capacity institution and has experience in delivering humanitarian and socioeconomic empowerment support interventions in Turkey and abroad. The TRC has been the main implementing agency in delivering comprehensive services to refugees since the onset of the Syrian crisis and has field presence in all refugee hosting provinces in Turkey. (b) The TRC is the implementing agency of the ESSN program which provides cash payments to more than 1.5 million Syrian refugees. The TRC is also the implementing agency of the Conditional Cash Transfers for Education Program and the Special Needs Fund and Individual Protection Aid. Through this programming the TRC has developed knowledge and expertise on serving the refugee population. (c) Through community centers, the TRC provides protection support (protection services, Conditional Cash Transfers for Education, Special Needs Fund, and Individual Protection Aid, livelihoods support services, psycho-social support and health services, and social cohesion activities. The community centers have been successful in delivering comprehensive support services to refugees and host communities in Turkey. The centers provide vocational and technical skills trainings, Turkish courses, livelihoods support, psycho-social support, nutrition and health education, referral to health services, advocacy and protection services, and social cohesion activities to contribute to socioeconomic inclusion of refugees and host communities. The activities are implemented within the scope of the TRC's



Community Based Migration Program to improve the psychological, social, and economic conditions of international and temporarily protected migrants to recover and to develop a common living culture with the local community. The facilities have child-friendly and youth-friendly spaces. (d) There are 16 community centers in the cities of Şanlıurfa, İstanbul (2), Konya, Ankara, Kilis, Bursa, İzmir, Adana, Mersin, Gaziantep, Hatay, Kayseri, Kahramanmaraş, Kocaeli, and Mardin. To date, more than 31,110 people have benefited from vocational trainings; 338,884 from psycho-social support; and 305,140 from harmonization with local community and social and cultural activities through 16 TRC Community Centers that also service host communities. (e) The TRC is already mobilized and staffed in the project provinces which in turn result in more comparative prices for the services required and thereby in a value-for-money approach. (f) The TRC is also expected to support the Employment Support and Activation of Work-able Refugees and Turkish Citizens Project (P171471) as an implementing agency with relevant pipeline Bank/FRIIT-financed operations to promote the inclusion of refugees into national and local processes. The Employment Support Project aims at increasing the employability of refugees and Turkish citizens and support transition to the labor market and by expanding the coverage of the employment support services to previously-not-reached and difficult-to-serve groups (for example, social assistance beneficiaries). The TRC is expected to support this project as an implementing agency, responsible for the screening and categorization of potential ESSN and non-ESSN refugees and Turkish beneficiaries in terms of readiness to work, provision of job life skills and transition to work counselling, and referrals to the Turkish Employment Agency (İŞKUR) for program and job placement. Lessons and implementation experience of the project will inform the design and implementation of services the TRC will provide under the Employment Support Project. In addition, the TRC's socioeconomic empowerment services will provide preliminary skills to beneficiaries who have recently relocated to communities and will raise awareness about various employment support programs, including those offered by İŞKUR. (g) The TRC's project preparation and implementation experience with the project will help expedite the preparation of the various Bank/FRIIT-financed projects. (h) The Directorate General of Migration Management (DGMM) has been sharing the required beneficiary data and information with the TRC.

150. The PPSD concluded that the TRC has experience and capacity of exceptional worth for such an emergency project, and fit-for-purpose considerations require the ACC to have a sole source contract with the TRC for the project outreach activities required under Component 1.1 of the project with an estimated amount of EUR 1,500,000 which will be further negotiated with the TRC. Early communications with the TRC revealed that reasonable prices will be obtained for the intended services.

151. **Procurement Plan and procurement tracking.** The Procurement Regulations require the Recipient to use the Bank's Systematic Tracking of Exchanges in Procurement (STEP) online procurement tracking tool to prepare, clear, and update its procurement plans, and conduct all procurement transactions. The PPSD and the underlying Procurement Plan will be updated at least annually or as required to reflect actual project implementation needs. The ACC-CU PIU has been given STEP access in the project portal and it created the Procurement Plan through STEP before initiating any procurement activity. All the procurement-related complaints will be recorded in the STEP complaint module by the ACC PIU.

152. The contracts agreed by the Bank for financing and included in the approved Procurement Plan are listed in below table.



**Table 2.2: Contracts Agreed by the Bank**

Activity Description	Activity Reference No.	Procurement Category	Review Type	Method	Market Approach	Estimated Amount (in EUR)	Estimated Procurement Notice/Invitation Date	Estimated Contract Signing Date	Estimated Contract Completion Date
<b>Component 1: Enhancing employment opportunities through contract farming</b>									
<b>Subcomponent 1.1: Improving the skills and employability of agricultural workers</b>									
<b>Consulting Services</b>									
Recruitment of an NGO to carry out Outreach Activities, Pre-Employment Profiling & Referral Activities	CS1.1-01	CS	Post	Direct Selection	Direct	1,500,000	N/A	4 Jan 21	31 Dec 22
Recruitment of a Consulting Firm to carry out a Needs Assessment Study	CS1.1-02	CS	Post	CQS	National, Open Competition	290,000	24 July 20	15 Jan 21	15 Apr 21
Recruitment of Consulting Firm/s for the Design of Training Plan/Technical Curriculum/Modules of the Training/s (Multiple Contracts)	CS1.1-03a, b, c....	CS	Post	CQS	National, Open Competition	1,905,000	01 Mar 21	1 May 21	01 Mar 22
<b>Non-Consulting Services</b>									
Organizational and Logistical Services for the Workers' Trainings/Delivery of Trainings (Multiple Contracts)	NCS1.1-01a, b, c...	NCS	Post	RFQ Single stage	National, Open Competition	2,000,000	15 July 21	15 Aug 21	31 Dec 22
<b>Subcomponent 1.2: Increasing labor demand through enhanced production capacity of farms</b>									
<b>Consulting Services</b>									
Provision of TA for Employers entering to the Contract Farming aspect of formalization process	CS1.2-01	CS	Post	CQS	National, Open Competition	320,000	29 Sep 20	15 Feb 21	31 Dec 22
Recruitment of a consulting firm to carry out Field Visits for on-site compliance of the beneficiaries/farmers, Food Safety, and GRM	CS1.2-02	CS	Post	CQS	National, Open Competition	800,000	15 Mar 21	15 May 21	31 Dec 22
<b>Non-Consulting Services</b>									



Organizational and Logistical support to Workshops & Sensitization Sessions for TA to Contract Farming (Multiple Contracts)	NCS1.2-01a, b, c...	NCS	Post	RFQ Single stage	National, Limited	160,000	1 Feb 21	15 Feb 21	30 Mar 22
<b>Component 2: Increasing demand for contract farming.</b>									
<b>Consulting Services</b>									
Recruitment of a Consultant Firm to carry out Value Chain analyses	CS2-01	CS	Post	CQS	National, Open Competition	180,000	15 Jan 21	15 Mar 21	15 Dec 21
Recruitment of a Consulting Firm for External Technical Evaluation to analyze the technical and financial feasibility of the proposed micro/small grants as submitted by the primary ACCs	CS2-02	CS	Post	CQS	National, Open Competition	110,000	1 Nov 21	04 Jan 22	30 Mar 22
Recruitment of a Consulting Firm for provision of Project Preparation Trainings	CS2-03	CS	Post	CQS	National, Open Competition	165,000	15 Jan 21	15 Mar 21	31 Dec 21
<b>Goods</b>									
Procurement of Equipment/Machinery and Auxiliary Repair Works under Micro and Small Grants to enhance the physical and technical capacity of the primary ACCs (Multiple Contracts)	G2-01	Goods	Post	RFQ Single stage	National, Open Competition	2,550,000	01 Mar 22	01 Apr 22	31 Dec 22
<b>Component 3: Implementation Support and Institutional Capacity Building</b>									
<b>Subcomponent 3.1: Project management and capacity building</b>									
<b>Consulting Services</b>									
Recruitment of a consultant for ACC PIU as Project Coordinator	CS3.1-01	CS	Post	INDV	Direct	147,000	N/A	10 Nov 20	31 Dec 22
Recruitment of consultant for ACC PIU as Procurement Specialist	CS3.1-02	CS	Post	INDV	National, Open Competition	105,000	27 May 20	4 Dec 20	31 Dec 22
Recruitment of a consultant for ACC PIU as M&E specialist	CS3.1-03	CS	Post	INDV	National, Open Competition	105,000	24 Sep 20	4 Dec 20	31 Dec 22
Recruitment of a consultant for ACC PIU as Financial	CS3.1-04	CS	Post	INDV	National, Open Competition	105,000	27 May 20	4 Dec 20	31 Dec 22



Management Specialist									
Recruitment of a consultant for ACC PIU as Social Safeguards Specialist	CS3.1-05	CS	Post	INDV	Direct	105,000	N/A	4 Jan 21	31 Dec 22
Recruitment of a consultant for ACC PIU as a Communications Specialist	CS3.1-06	CS	Post	INDV	National, Open Competition	105,000	24 Sep 20	4 Jan 21	31 Dec 22
Recruitment of consultant for ACC PIU as IT Specialist	CS3.1-07	CS	Post	INDV	Direct	90,000	N/A	10 Nov 20	31 Dec 22
Recruitment of a consultant for ACC PIU as Financial Management Assistant	CS3.1-08	CS	Post	INDV	National, Open Competition	84,000	01 Dec 20	4 Jan 21	31 Dec 22
Recruitment of consultant/s for ACC PIU as Field Coordinator	CS3.1-09	CS	Post	INDV	National, Open Competition	105,000	24 Sep 20	4 Dec 20	31 Dec 22
Recruitment of consultant/s for İzmir RU as Field Officer	CS3.1-10	CS	Post	INDV	National, Open Competition	60,000	1 Dec 20	4 Jan 21	31 Dec 22
Recruitment of consultant/s for Bursa RU as Field Officer	CS3.1-11	CS	Post	INDV	National, Open Competition	60,000	1 Dec 20	4 Jan 21	31 Dec 22
Recruitment of consultant/s for Mersin RU as Field Officer	CS3.1-12	CS	Post	INDV	National, Open Competition	60,000	1 Dec 20	4 Jan 21	31 Dec 22
Recruitment of consultant/s for Adana RU as Field Officer	CS3.1-13	CS	Post	INDV	National, Open Competition	60,000	1 Dec 20	4 Jan 21	31 Dec 22
Recruitment of consultant/s for Gaziantep RU as Field Officer	CS3.1-14	CS	Post	INDV	National, Open Competition	60,000	1 Dec 20	4 Jan 21	31 Dec 22
Recruitment of consultant/s for Adiyaman RU as Field Officer	CS3.1-15	CS	Post	INDV	National, Open Competition	60,000	1 Dec 20	4 Jan 21	31 Dec 22
Recruitment of consultant for ACC PIU as Environmental Specialist	CS3.1-16	CS	Post	INDV	Direct	105,000	N/A	10 Nov 20	31 Dec 22
Recruitment of consultant for ACC PIU as Training Specialist	CS3.1-17	CS	Post	INDV	National, Open Competition	105,000	24 Sep 20	4 Jan 21	31 Dec 22
Recruitment of short-term consultant/s for Project Support (Multiple contracts)	CS3.1-18a, b, c...	CS	Post	INDV	National, Open Competition	108,000	TBD	TBD	TBD
Recruitment of a Consulting Firm for provision of TA in Value	CS3.1-19	CS	Post	CQS	National, Open Competition	300,000	15 Feb 21	15 Apr 21	01 Mar 22



Chain and Market Analysis for Increasing Capacity of Contract Farming									
Recruitment of a Consulting Firm to carry out Studies for Improving the Functionality of ACC in the fields of Market Researches, Sector Analysis, Possible Restructuring Studies and so on	CS3.1-20	CS	Post	CQS	National, Open Competition	150,000	15 Mar 21	15 May 21	01 May 22
<b>Non-Consulting Services</b>									
Logistical and Organizational Services for Capacity Building Training/s related to Project Management and Contract Farming and Study Tour/s (Multiple Contracts)	NCS3.1-01	NCS	Post	RFQ Single stage	National, Limited	320,000	15 Apr 21	01 May 21	15 Dec 22
<b>Goods</b>									
Purchase of Office Equipment for PIU	G3.1-01	Goods	Post	RFQ - Single Stage	National, Limited	60,000	15 Jan 21	30 Jan 21	15 Feb 21
Purchase of Printer/s, Laptop/s, and Other Equipment for PIU Staff and Central ACC Staff	G3.1-02	Goods	Post	RFQ - Single Stage	National, Limited	60,000	15 Jan 21	30 Jan 21	15 Feb 21
Purchase of an Accounting Software for PIU	G3.1-03	Goods	Post	RFQ - Single Stage	National, Limited	20,000	4 Jan 21	15 Jan 21	30 Jan 21
<b>Subcomponent 3.2: Grievance and redress mechanism and citizen engagement</b>									
<b>Consulting Services</b>									
Recruitment of a Consulting Firm to support the GRM and make it functioning for project beneficiaries, refugees, and workers	CS3.2-01	CS	Post	CQS	National, Open Competition	100,000	15 Feb 21	15 Apr 21	15 Dec 22
Recruitment of a Consulting Firm for Project's Online Presence (Social Media management and Web Services)	CS3.2-02	CS	Post	CQS	National, Open Competition	200,000	24 July 20	15 Jan 21	15 Jun 21
Recruitment of a Consulting firm for Awareness Raising Campaign for Contract Farming	CS3.2-03	CS	Post	CQS	National, Open Competition	150,000	15 Jan 21	15 Mar 21	01 Dec 2022



<b>Non-Consulting Services</b>									
Logistical and Organizational Services for Project Kick-off Meeting & Ceremony	NCS3.2-01	NCS	Post	RFQ Single stage	National, Limited	65,000	1 Dec 20	10 Dec 20	15 Jan 21
Logistical and Organizational Services for Closing Event	NCS3.2-02	NCS	Post	RFQ Single stage	National, Limited	65,000	15 Nov 22	01 Dec 22	25 Dec 22
Logistical and Organizational Services for Awareness Raising Events: Harvest Days (Multiple Contracts)	NCS3.2-03a, b, c...	NCS	Post	RFQ Single stage	National, Limited	100,000	15 Mar 21	01 Apr 21	01 Nov 22
Logistical and Organizational Services for Informative Meetings (Multiple Contracts)	NCS3.2-04a, b, c...	NCS	Post	RFQ Single stage	National, Limited	120,000	01 Feb 21	15 Feb 21	01 Dec 22
Logistical and Organizational Services for Annual Meetings (Multiple Contracts)	NCS3.2-05a, b, c...	NCS	Post	RFQ Single stage	National, Limited	150,000	01 Nov 21	15 Nov 21	12 Oct 22
Logistical and Organizational Services for Broad Outreach to Host Community and Refugees (Multiple Contracts)	NCS3.2-06a, b, c...	NCS	Post	RFQ Single stage	National, Limited	129,000	15 Feb 21	01 Mar 21	30 Jun 22
Production of Materials for Visibility and Outreach Package (Multiple Contracts)	NCS3.2-07a, b, c...	NCS	Post	RFQ - Single Stage	National, Limited	215,000	04 Jan 21	15 Jan 21	31 Dec 22
Production of One Minute Video Materials (For the first year informative video to use in the field) (Multiple Contracts)	NCS3.2-08a, b, c...	NCS	Post	RFQ - Single Stage	National, Limited	120,000	01 Mar 21	15 Mar 21	31 Dec 22
Production of Booklets: Farmers and workers tell their stories	NCS3.2-09	NCS	Post	RFQ - Single Stage	National, Limited	65,000	1 Apr 22	30 April 22	31 Dec 22
<b>Subcomponent 3.3: Monitoring and evaluation</b>									
<b>Consulting Services</b>									
Recruitment of a consultant firm for Process Evaluations (2 Studies)	CS3.3-01a & b	CS	Post	CQS	National, Open Competition	200,000	15 Apr 21	15 Jun 21	15 Oct 22
Recruitment of a consulting firm for a baseline and endline survey	CS3.3-02	CS	Post	CQS	International, Open Competition	1,000,000	15 Jan 21	15 Mar 21	30 Nov 22
Recruitment of a consulting firm for Software Development,	CS3.3-03	CS	Post	CQS	National, Open Competition	905,000	21 Nov 20	1 Feb 21	31 Dec 22





Cyber Security & Warranty And Maintenance									
Recruitment of a consulting firm for Annual Financial Audits (Multiple Contracts)	CS3.3-04a, b, c...	CS	Post	CQS	National, Open Competition	300,000	15 Oct 21	15 Dec 21	31 Dec 22
<b>Goods</b>									
Purchase of Desktops, Printers, 4G, 5G Modems, & Notebooks for Primary ACCs and Laptops for RUs	G3.3-01	Goods	Post	RFQ - Single Stage	National, Open Competition	553,000	1 Dec 20	4 Jan 21	15 Apr 21
Purchase of Servers and Network Infrastructure	G3.3-02	Goods	Post	RFQ - Single Stage	National, Open Competition	850,000	1 Dec 20	4 Jan 21	15 Apr 21

Note: CS = Consulting Services, NCS = Non-consulting Services, RFQ = Request for Quotation, CQS = Consultants' Qualification Based Selection, INDV = Selection of Individual Consultants.

153. **Advance procurement.** Procurement Regulations Paragraphs 5.1 and 5.2 (Advance Contracting and Retroactive Financing) permits that the Recipient may wish to proceed with the procurement process before signing of the Legal Agreement. In such cases, if the eventual contracts are to be eligible for Bank financing the procurement procedures, including advertising, shall be consistent with Sections I, II, and III of the Procurement Regulations which cover the Bank's Core Procurement Principles of economy, efficiency, transparency, fairness, fit for purpose, value for money, and integrity. With this understanding, the ACC-CU has already initiated the selection of the PIU consultants and any profiling consultants' selection immediately upon publication of the General Procurement Notice in the UN Development Business online.

154. **Procurement Methods and Standard Procurement Documents.** While comprehensive selection methods and use of the Bank's Standard Procurement Documents are applicable, due to the emergency nature of the project, flexible, streamlined, and fit-for-purpose arrangements will be used in the project procurements. Simple selection procedures with higher thresholds will be used as specified in the approved Procurement Plan. Determined thresholds and selection methods will be reviewed by the Bank during project supervision and/or when the Bank decides and will be updated as appropriate.

155. **Procurement risk assessment.** The World Bank has conducted a procurement assessment for the project, with a focus on the ACC-CU in terms of: (a) procurement regulatory framework and management capability; (b) integrity and oversight; (c) procurement process and market readiness; and (d) procurement complexity. The ACC is not subject to the Public Procurement Law No. 4734 (PPL) and Public Procurement Contracts Law No. 4735.

156. The ACC has its own procurement regulation issued through the ACC's Executive Board Decision no. 483 dated June 23, 2004 which aims to follow the procurement principles of value for money, transparency, competition, equal treatment, reliability, confidentiality, and efficiency. For the unclear procurement matters, the ACC's procurement regulation refers to PPL implementations. According to the ACC's procurement regulation, five procurement procedures were specified for the procurement of goods, works, and services. These procedures are: (a) open tender procedure closed envelope; (b) procedure for requesting prices and quotations; (c) negotiated procedure; (d) auction in person; and (e)



contest procedure. The regulation does not differentiate the processes for goods, works, and consulting services. Consulting services mainly received from the companies or individuals by conducting negotiation procedure or through contest tenders among qualified and experienced candidates. In the case of negotiated, the technical specification is not mandatory. The ACC's accounts are subject to external audit by an independent audit firm annually.

157. **Staffing and contract management capacity.** The ACC-CU has nine departments. Each department mandates its own procurements that are within the framework of their authority and responsibilities. The ACC has already established a PIU to support the implementation of the project. The PIU will draw on the staff and capabilities of relevant procurement departments/sections of the ACC's CU that is, Supply Department, Marketing Department, Support Services Department, and others. However, given that all the ACC-CU departments are fully committed to their regular works, the PIU will be supported with a full-time procurement specialist who is knowledgeable about the World Bank procurement procedures and practices throughout the project implementation period. The ACC PIU will be responsible for the implementation of the procurement activities under the project.

158. Even though the proposed project procurements will follow the procedures specified in the Bank's Procurement Regulations, findings of the assessment concludes that (a) applicable procurement policies and the regulatory system are designed broadly to meet Core Procurement Principles of value for money, economy, efficiency, effectiveness, integrity, transparency and fairness, and accountability with deviations in the application of selection procedures from Procurement Regulations; also, they have broader ineligibility requirements and unclear complaint review mechanism; (b) the ACC has a clear system of accountability with clearly defined responsibilities and delegation of authority on who has control of procurement decisions; (c) there is a clear identified target market for all procurements; and (d) the ACC effectively manages contracts to ensure delivery as per the contract conditions. The assessment was recorded in the Procurement Risk Assessment and Management System of the Bank.

159. Given the emergency nature of the project and limited implementation time and taking into account the absence of procurement experience of the ACC under Bank-financed projects, the overall procurement risk for the project is assessed as **Substantial**. The risk rating can be lowered to Moderate when the agreed actions in Table 2.3 below have been put in place.

**Table 2.3: Identified Risks and Agreed Action Plan**

Action No.	Identified Risk	Mitigation Measure	Responsible Party	Time Frame
1.	ACC staff are unfamiliar with the World Bank Procurement Regulations. It may cause noncompliance and delay in procurement activities.	The ACC-CU will maintain a dedicated PIU supported with a procurement specialist familiar with the procurement procedures of IFIs, preferably World Bank.	ACC	A PIU will be established before project effectiveness and maintained during the implementation.  The procurement specialist will be assigned not later than within first month of the project effectiveness.



2.	Delays in the procurement process due to limited familiarity of bid evaluation committee members in World Bank procurement process in the ACC-CU.	The procurement specialist in the PIU will arrange trainings to bid evaluation committee members on World Bank Procurement Regulations.	ACC PIU	Throughout the project
3.	Differentiation of procurement implementations may create unnecessary questions from the procurement stakeholders.	Develop a POM for the ACC with a procurement section.	ACC PIU	Before the project effectiveness
4.	Incomplete E&S safeguard studies may delay commencement of the contract implementation.	All subproject-specific E&S studies will be completed before signing of the contracts.	ACC PIU	Throughout the project
5.	The contract deliverables may not be used for the intended purposes by the beneficiaries under Component 2	The PIU will conduct physical reviews of the procured items to ensure that they will be used for the intended purposes.	ACC PIU	Throughout the project
6.	Misinterpretation of the Procurement Regulations and terms and conditions of the contracts. It may cause noncompliance and time and cost overruns in the contract implementation.	Procurements will be conducted centrally by the ACC-CU/PIU.  Work closely with World Bank procurement specialist.	ACC PIU	Throughout the project
7.	Effects of COVID-19 outbreak in procurement processes.	Special procurement arrangements to address this risk will be applied as deemed appropriate in the POM.	ACC PIU	Throughout the project

160. **POM and procurement handbook.** When approaching the national market, as agreed in the Procurement Plan, fit-for-purpose selection methods and market approach options will be adopted as stipulated in the procurement handbook of the POM following the Bank's guidance for procurements in situations of urgent need of assistance. In such procurements, Turkish bidding documents agreed between the Bank and the ACC-CU will be used by the PIU.

161. **Procurement supervision frequency.** The World Bank will review the procurement arrangements performed by the ACC PIU including contract packaging, applicable procedures, and the scheduling of the procurement processes, for their conformity with the Legal Agreement. Those procurements not previously reviewed by the World Bank will be subject to ex post review on a sampling basis in accordance with the procedures set forth in Paragraph 4 of the Annex II to the Procurement Regulations. A post review of the procurement documents will normally be undertaken annually and/or during the World Bank's supervision mission, or the World Bank may request to review any particular contract at any time. In such cases, the PIU shall provide the World Bank the relevant documentation for its review.

162. **Complaint review.** The procurement complaints other than covered under Annex III of the Procurement Regulations are to be handled by the ACC PIU in accordance with the procedures agreed by the Bank and stipulated in the procurement handbook. Immediately upon receiving, the complaints will be recorded in the STEP complaint module by the ACC PIU. The implementing agency will not proceed with the next stage/phase of the procurement process, including with awarding a contract, without satisfactory resolution of the complaint(s). Complaints will be responded by the ACC PIU within reasonable and shortest possible time and not later than fifteen (15) business days.

163. **Operational costs** will not be considered under procurement implementation which could be the incremental expenses, including office supplies, vehicles operation and maintenance cost, maintenance of equipment, communication costs, rental expenses, utilities expenses, consumables, transport and accommodation, per diem, and cost for procurement advertisements.

164. **ESF Implementation Support.** Before the Effective Date of the Grant Agreement, the PIU under the ACC will appoint or hire qualified staff and resources to support management and monitoring of ESF instruments (ESMF, LMP, SEP, and ESCP) of the project. The PIU will appoint two designated technical staff to meet the roles and responsibilities below and will have Terms of References satisfactory to the Bank. Additional experts on different topics will either be appointed or hired as needed through-out the project implementation:

- One environmental specialist to manage the implementation of the ESMF, guide the preparation and supervise the implementation of subproject-specific ESA documents (short-term staff or consultant)
- One social specialist to manage and implement GRM, stakeholder engagement, and LMP

165. E&S specialists will support the ACC PIU in developing social and environmental guidelines to include in the POM, based on the ESMF, and in including a negative list of subproject investment categories ineligible for financing. The E&S specialists will also guide primary ACCs under the activities of Component 1 and Component 2. The social specialist will provide support in developing a GRM that meets World Bank standards, overseeing the effective implementation of the citizen engagement activities defined in the project, and ensuring that the labor provisions in the LMP are strictly followed in project locations, and proactively monitor and supervise as required. ESF specialists will be requested to join implementation support missions envisioned for two times a year for the first 18 months and then semiannually to track compliance with ESF policy and to monitor activity under the GRM.



### ANNEX 3: Selection of provinces

#### COUNTRY: Turkey

#### Agricultural Employment Support for Refugees and Turkish Citizens through Enhanced Market Linkages

166. **Selection of provinces.** The selection of provinces to participate in the project was carried out in a manner that was designed to support the achievement of the PDO, while also ensuring transparency and objectivity. To this end, a methodology was developed during project preparation, which consists of seven selection criteria: (a) number of primary ACCs in the province; (b) number of primary ACCs under contracted farming in the province; (c) number of primary ACCs under harvest-end contracts; (d) number of refugees residing in a province, specifically the number of ESSN beneficiaries; (e) potential for increased contract farming; (f) potential for converting harvest-end contracts to contract farming; and (g) potential for production of labor-intensive crops. Next, these criteria were weighted depending on their priorities and at the end, scores were calculated. Finally, the provinces were listed according to their scores. These seven criteria, with the rationale for each, are elaborated upon in the following paragraphs.

167. **The number of primary ACCs in the province.** If the number of primary ACCs is limited in the province, then it will be difficult to generate sufficient contract farming agreements in the province.

168. **The number of primary ACCs under contract farming in the province and the number of primary ACCs under harvest-end contracts.** The project will focus on existing contract farming activities to receive immediate results. If the number of primary ACCs under contract farming is high in the current situation, it will mean that the member farmers under contract farming are available to participate in the project. For this criterion, the scores of provinces were weighted by two. In addition, currently the ACC signs harvest-end contracts just before the harvest with some member farmers. While these kinds of agreements cannot be supported by the project, members engaged in harvest-end contracts can easily be transferred to the contract farming modality.

169. **Number of refugees in the province.** This criterion reflects the aim of the project to support refugees and host communities. This criterion is weighted by three.

170. **Number of ESSN beneficiaries in the province.** This criterion reflects the aim of the project to support ESSN beneficiaries amongst refugees, in accordance with the aim of reducing refugee dependence on social assistance provided by the ESSN, and increasing opportunities for ESSN beneficiaries to take part in formal employment. This criterion is also weighted by three.

171. The next three criteria (potential for increased contract farming, potential for converting harvest-end contracts into contract farming, and potential for production of labor-intensive crops) reflect the assessment of the ACC Marketing Department regarding the potential for contract farming in a given province. These factors aim to capture geographic and cultural differences between regions, which may influence the member farmer's willingness to convert contracts from harvest-end to contract farming. The final criterion considers the crop pattern of the provinces; field crop production which depends on more mechanization consists of the main crop pattern in some of the provinces but cannot create much labor demand. Therefore, the provinces in which fruit and vegetable production is common received high scores. The priority of the criterion was assessed as high and the scores have been multiplied by three.



172. After the scoring of the 24 provinces, 6 of them have been selected as the first group provinces and the project will start from these provinces. The scores of the selected provinces are Gaziantep (61), Bursa (59), Adana (58), İzmir (57), Mersin (55), and Adiyaman (46). More provinces may be added to the project by selecting the next highest ranked provinces from this scoring and based on the mutual agreement of the World Bank and ACC.

**Table 3.1. Criterion Set, Weighting, and Scoring**

Criterion	Weighting	Total Score
Number of primary ACCs	1	Less than 10 = 1, between 10 and 20 = 2, between 20 and 40 = 3, more than 40 = 4
Number of primary ACCs under contracted farming	2	Less than 3 = 2, between 3 and 9 = 4, between 10 and 15 = 6, more than 15 = 8
Number of primary ACCs under harvest-end contract	1	Less than 5 = 1, between 5 and 9 = 2, between 10 and 20 = 3, more than 20 = 4
Hosting large number of refugees	3	Less than 10,000 = 3, between 10,000 and 25,000 = 6, between 25,000 and 50,000 = 9, between 50,000 and 100,000 = 12, more than 100,000 = 15
Hosting large number of ESSN beneficiaries	3	Less than 10,000 = 1, between 10,000 and 50,000 = 2, between 50,000 and 100,000 = 3, between 100,000 and 150,000 = 4, between 150,000 and 200,000 = 5, more than 200,000 = 6
Potential for increased contract farming <sup>(a)</sup>	2	Low = 2, Medium = 4, High = 6, Very High = 8
Potential for converting harvest-end contracts to contract farming <sup>(a)</sup>	1	Low = 1, Medium = 2, High = 3, Very High = 4
Potential for production of labor-intensive crops <sup>(a)</sup>	3	Low = 3, Medium = 6, High = 9, Very High = 12

Note: a. Based on the ACC Marketing Department's assessment.



## **ANNEX 4: Economic Appraisal**

### **COUNTRY: Turkey**

#### **Agricultural Employment Support for Refugees and Turkish Citizens through Enhanced Market Linkages**

174. The proposed approach combines labor demand and supply-side interventions. As suggested by international experience (World Bank 2013), effective jobs interventions need to stimulate both the demand and supply of the labor market. Based on this global experience, the project combines (a) supply-side interventions focused on increasing employability (training, counseling) and facilitating access to jobs (intermediation, matching) and (b) demand-side interventions which will include (i) incentives to employers in the form of wage subsidies, (ii) TA, (iii) monetary and non-monetary support to formalization, and (iv) better market conditions through contract farming which would contribute to increased quality and quantity of inputs.

175. The project departs from standard labor interventions implemented in other contexts in several respects. The vast majority of existing ALMPs target urban labor markets, where formal wage employment is the norm. Interventions in the rural setting have been typically confined to livelihood interventions in the form of rural self-employment. In contrast, the proposed labor interventions focus on rural wage employment in the agricultural sector. A prominent feature of the agricultural sector in Turkey is the very high levels of informality which, combined with wages way below the national minimum wage, leads to very high costs of formalization. In addition, the project targets a very low-skilled and low-employability population among which many are illiterate. Half of the beneficiaries will be refugee workers with often a weak command of the Turkish language, and in some cases lacking a work permit as a pre-condition to formal employment.

176. As a result, the project is expected to yield larger benefits in the medium and long term, rather than in the short term. While the costs of the project will be incurred in the first years of the project lifespan, benefits are expected to increase over time by placing workers on a higher productivity, higher wage, and higher formality path that will generate cumulative returns beyond the lifespan of the project. In addition, the small scale of the project—which can be considered as a pilot intervention—also contributes to the limited returns of the project in the short term. If the interventions were to be expanded to a broader population of beneficiaries, as it is expected to, the expected returns of the project will be positive also in the short term.

177. The project is also expected to yield non-monetary benefits that cannot be included in the economic analysis. The project is expected to yield several monetary benefits which are included in the cost-effectiveness analysis: (a) increased wages associated with training interventions and skill signaling through certification, (b) creation of additional formal and informal employment through contract farming, and (c) transition into formal employment. Beyond these tangible benefits, the project is also expected to yield additional benefits that are not easily quantifiable. Those include: (a) improving refugees' access to information regarding access to work permit and formal employment which can in itself also facilitate access to formal employment, including off-farm employment; (b) greater command of the Turkish language which is expected to also increase access to jobs and employability but also more broadly integration in rural host communities; and (c) repeated contacts of refugees with an NGO with





expertise in reaching out to refugees, which can lead to future referral to other services offered to refugees such as social assistance or labor intermediation by İŞKUR.

178. The economic analysis uses an ex ante cost-benefit analysis framework to assess and monetize costs and benefits of the implementation of the proposed project and associated externalities. The cost-benefit analysis is based on a summary of measures of performance, the IRR, and the net present value (NPV), calculated on the incremental benefits and costs to the entire project. The analysis also calculates the Social Rate of Return (SRR) which measures the *economic costs and economic benefits* for the society. It hence introduces in the equations opportunities costs and *social externalities*. *To calculate the economic returns in this economic analysis, the benefits are discounted by a discount rate of 2.5 percent.*

179. The NPV, on the other hand, can be written as follows with NPV being the net present value of the project,  $r$  being the discount rate, and *Benefit Cost Flows* at time  $t$  being the net benefits at time  $t$  accrued to the project. In this analysis, the NPV of the gains projected in the future 5, 10, and 30 years are calculated. The SRR and/or IRR is the discount rate for which the NPV is equal to zero:

$$NPV = \sum_{t=1}^T \frac{\text{Benefit Cost Flows}_t}{(1+r)^t}$$

180. The assumptions considered for this cost-benefit analysis are based on prior international evidence and estimations, estimates from Turkey's Labor Force Survey (LFS), and qualitative information collected from the field. To estimate the project returns, we assume the project beneficiaries have similar characteristics to the average low-skilled agricultural worker or farmer observed in the LFS

181. The analysis is broken down in two parts where the effects of the project are separately estimated for the supply side (agricultural workers) and demand side (farmers). Regarding the demand side, the project expects to increase the demand for labor through (a) farms' productivity increase, (b) production expansion, and (c) reduced costs of formal employment through wage subsidies. On the workers' side, welfare gains are expected as a result of (a) productivity and wage gains through skill training and certification, (b) gains from formalization productivity of workers by improving their skills, and (c) access to additional farm employment for currently not employed individuals. Labor productivity gains will increase farmers' revenues, and the assumption is that part of this additional surplus will be transferred to workers. Regarding formalization, workers and farmers incur private costs to formally register, including SSI contributions and potential social benefit losses. In the long term, it entitles workers to retirement and health care benefits, in addition to severance pay in the short term.<sup>70</sup> Finally, for the SSI of Turkey, more formal workers will increase the revenue and potentially reduce the spending on social assistance. The sections below explore the different potential impacts.

## **1. Supply Side (Agricultural Workers)**

182. As the vast majority of agricultural workers earn way below the minimum wage, formalization is an achievable target only for a subgroup of workers. The formality rate is very low (7.8 percent) among

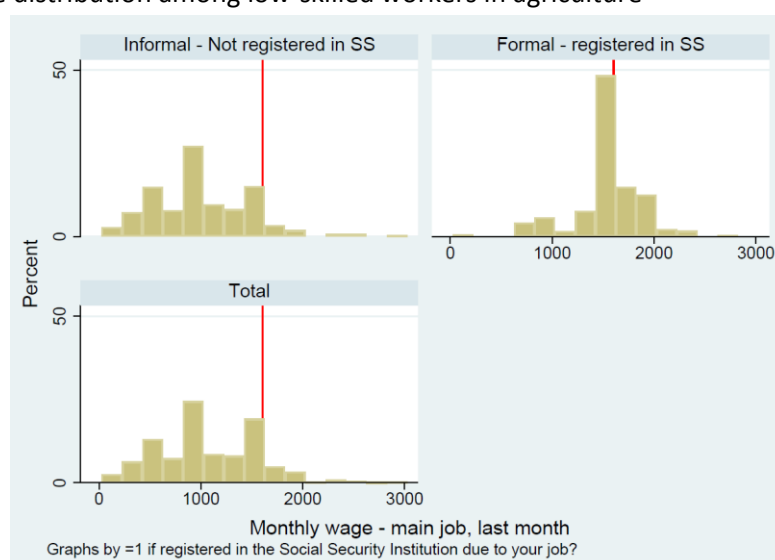
<sup>70</sup> However, within the design of the project, the ACC has no responsibility or liability for severance payments and other labor receivables.





low-skilled workers in agriculture, and the average monthly wage is TL 1,101.00 (with a median TL 1,000.00), far below the current 2018 net minimum wage of TL 1,603,12. Figure 4.1. displays the distribution of monthly wages for formal and informal workers. As evidenced in the figure, workers in the agricultural sector, particularly workers who are employed informally, are currently paid way below the minimum wage. The gap between the minimum wage, the legally mandated wage for all agricultural workers, and the median wage of informal agricultural workers, is close to TL 1,200, which is about 30 percent less than the 2018 net minimum wage. This reflects either very low levels of labor productivity for those workers, or farmers paying workers below their marginal productivity level. For the bulk of informal workers whose monthly wage is 40 percent lower than the minimum wage, formalization is not an achievable objective in the short term.

Figure 4.1. Wage distribution among low-skilled workers in agriculture



Source: Turkey Labor Force Survey 2018.

Note: The vertical red bar represents the net minimum wage as of 2018.

183. **To estimates the costs and benefits of the project, the analysis breaks down the group of potential beneficiary workers in three groups:** (a) the already employed in agriculture that are currently informal and may become formal; (b) informal workers that would remain informally employed but would increase their productivity through skill training; and (c) workers not currently employed who would become employed as a result of additional job creation. It is also assumed that a small proportion of the workers in (b) would become formal in the long term thanks to increased labor productivity and other interventions included in the project.<sup>71</sup> The costs of Component 1.2 are assumed to be equally distributed across the beneficiaries.

184. **The main hypotheses made to carry out this analysis are the following:** (a) 90 percent of the workers complete the training, based on estimates of skill training dropout rates from other contexts and the short duration of the training intervention planned as part of the project; (b) the average project beneficiaries' wages being similar to the average wages in the formal and informal agricultural sectors; (c)

<sup>71</sup> Circa 1,400 workers based on analysis on the ground.



skill training completion is assumed to increase the overall productivity in the short term, reflected by a 3.9 percent increase in wages;<sup>72</sup> (d) long-term productivity gains are greater than short-term gains;<sup>73</sup> (e) the share of workers initially employed in the formal labor market decreases after the end of the subsidies;<sup>74</sup> (f) we assume that beneficiary workers start with similar share of Indefinite Term (Permanent) Employment Contracts as the overall level in the Turkish agricultural sector, but increase over time as a result of the training and increased demand; and (g) as a result of the implementation of the contract farming arrangement, demand for agricultural workers among beneficiary farmers is expected to increase by a minimum of 10 percent.

### 1.1 Existing workers already employed in agricultural jobs

#### Beneficiary group 1: Informal workers becoming formal

185. **A share of the beneficiaries is expected to become formal and receive private gains associated with it.** The net wage of this group of workers is assumed to be comparable to current formal agricultural workers in the Turkish labor market, slightly higher than the minimum wage, and their gross wage includes the contributions they must make to social security. Private gains for this group of workers are thus the difference between this expected wage and the average wage in the informal market, plus any expected future gains in terms of access to health care and retirement. As in Card, Kluve, and Weber (2015), wages are expected to increase in the long term due to labor productivity gains. It is assumed that some of the workers remain formally employed after the end of the project. On the other hand, they face increasing individual costs associated with formalization which consist of contributions to the SGK. Those social security contributions, on the other hand, are also social gains as they represent additional revenues for the Government of Turkey.

<sup>72</sup> Card, David, Kluve, Jochen, and Andrea Weber. 2017. "What Works? A Meta-analysis of Recent Active Labor Market Program Evaluations." *Journal of the European Economic Association* 16 (3): 894–931.

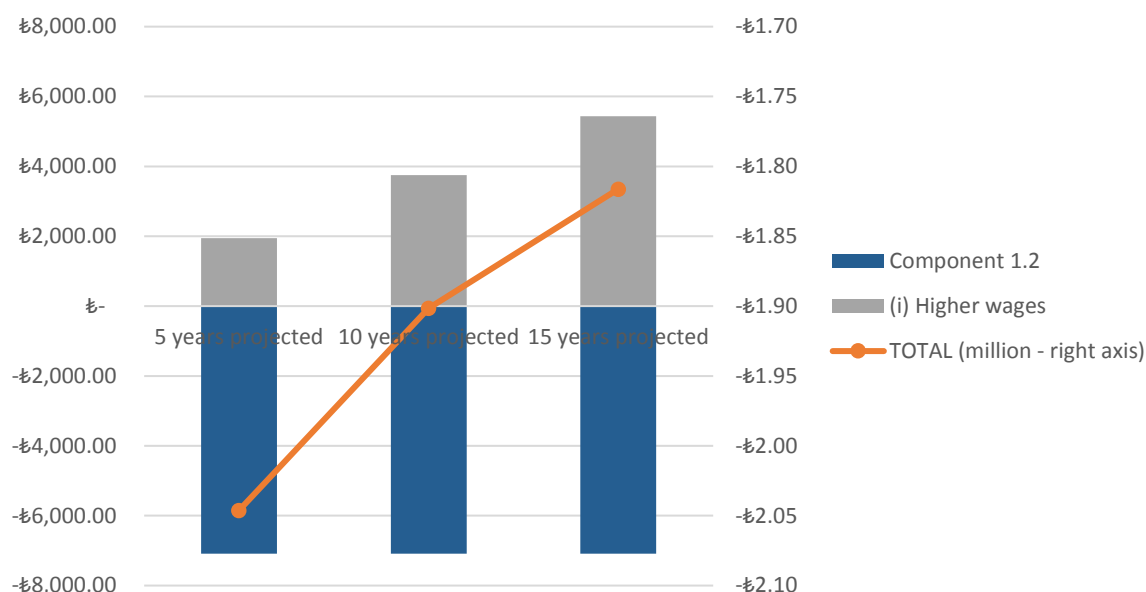
<sup>73</sup> Card, David, Kluve, Jochen, and Andrea Weber. 2017. "What Works? A Meta-analysis of Recent Active Labor Market Program Evaluations." *Journal of the European Economic Association* 16 (3): 894–931.

<sup>74</sup> Evidence on the effectiveness of wage subsidies are mixed, with some studies finding small, but persistent positive results for disadvantaged groups (Kaldor 1936; Layard and Nickell 1980; Katz 1998; and Levinsohn et al 2014), while others find more disappointing results (Burtless 1985; Dubin and Rivers 1993) and for developed countries, the evidence suggests that there is little effect in the long term (Betcherman et al 2004).

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Figure 4.2. NPV for workers who become formally employed

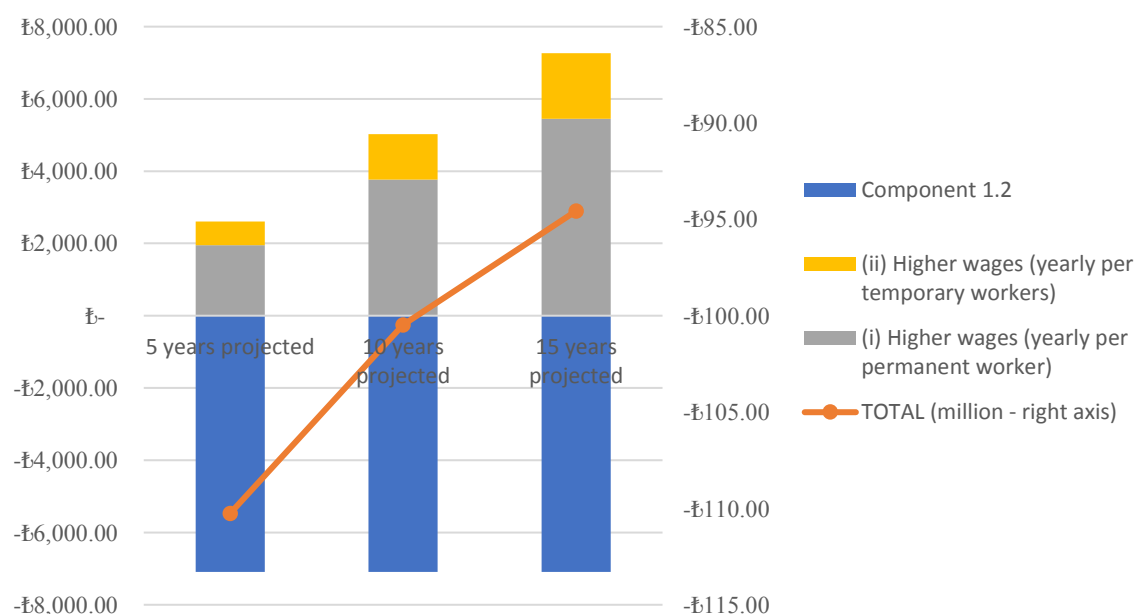


#### Beneficiary group 2: Informal workers remaining informal

186. The second beneficiary group consists of existing informal agricultural workers that, despite remaining informal, benefit from the training and are expected to increase their labor productivity and their likelihood to gain access to more regular and permanent employment. Their immediate private benefits are the expected increase in wages: technical, soft skill, and language training is expected to increase workers' productivity which will be signaled to employers through the delivery of a training certificate. This is expected to increase informal and formal workers' earnings during the course of the project by also lifetime earnings (3.9 percent of gains in wages in the short term, increasing overtime). This is also expected to increase their likelihood to gain access to more regular employment, increasing their likelihood to become formal workers in the longer term. The costs are those associated with the training as well as the opportunity costs of attending the training for workers. The latter will be covered by a daily stipend for training attendance.



Figure 4.3. NPV for workers who remain informally employed



### Beneficiary group 3: Not employed and able-to-work individuals

187. Finally, the last beneficiary group are individuals currently not employed that are able to work. By generalizing the use of contract farming among beneficiary farmers, the project is expected to expand the production of beneficiary farmers by 10 percent. Assuming the labor intensity of production remains constant after the introduction of contract farming, employment in beneficiary farms is expected to increase by a similar amount. Thus, the project is expected to result in unemployed or out-of-the-labor-force workers taking up informal agricultural work. This third group of beneficiaries is assumed to be hired initially with informal contracts, at the average wage of informal workers in agriculture, and mostly as temporary workers. They are also expected to have increased productivity over time due to the training.



Figure 4.4. NPV for workers that become employed



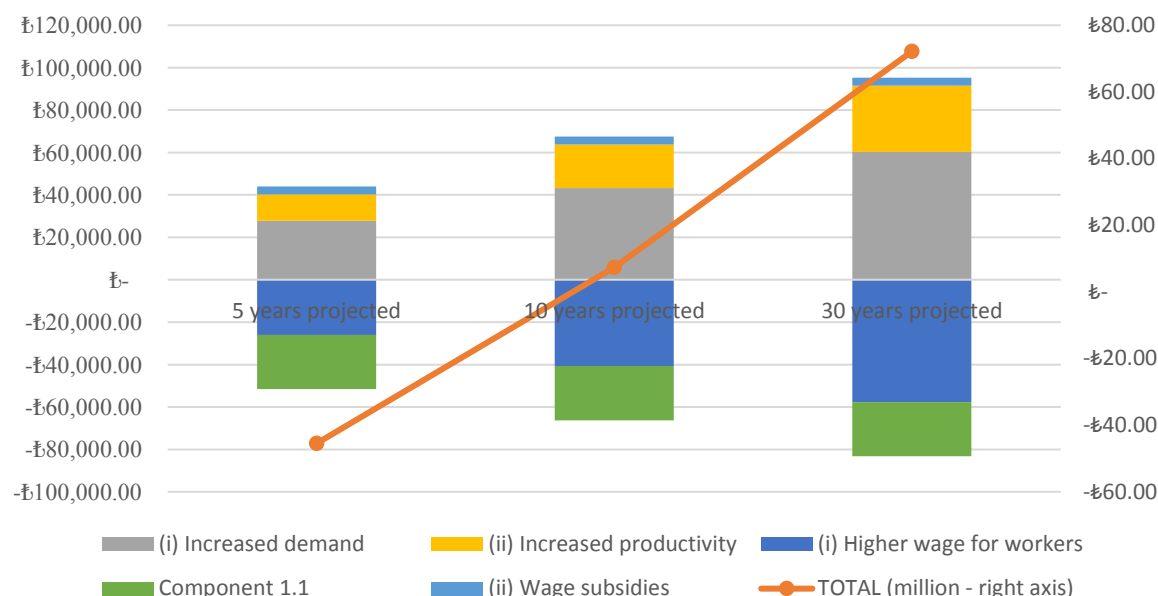
## 2. Demand Side (Farmers)

188. Privately, through contract farming, the availability of a higher-skilled workforce, and strengthened TA to farmers the project is expected to increase farmers' productivity. On a simple account, this would come in the form of a higher volume of sales and a higher average cost of the produce sold. Although this would be achieved through a one-off package of TA and financial support associated with contract farming, the benefits could be long lasting. This analysis assumes that the benefits continue even after the end of the project, however fading over time.<sup>75</sup> The mark-up of farmers is assumed to be 20 percent and was estimated from administrative data from the MoAF. According to the Labor Force Survey over 90 percent employ 10 workers or less in their farms. The costs from Component 1.1 are equally distributed across farmers.

<sup>75</sup> Diminishing returns could be due to the appearance of new technologies not incorporated by farmers for instance



Figure 4.5. NPV for farmers



### Aggregate NPV

189. Figure 4.6. displays the overall NPV of the project; the IRR for a 10-year horizon is 14 percent, with benefits fully equalizing costs after 6 years. Although the costs dominate the short-term net returns, costs are only concentrated in the first years, while benefits are expected to be long lasting both for farmers and agricultural workers. In fact, in a 10-year projection, the benefits already surpass the costs and generate a positive IRR (14 percent). On feasible 30-year horizon projections, benefits have gradually lower marginal returns as detailed by the discount rate of 2.5 percent and the number of workers that leave the market gradually. Benefits equalize the costs on year 6 at the end of the project implementation, meaning that subsequent periods are strictly positive on net returns contributions.

Figure 4.6. Total NPV of the project

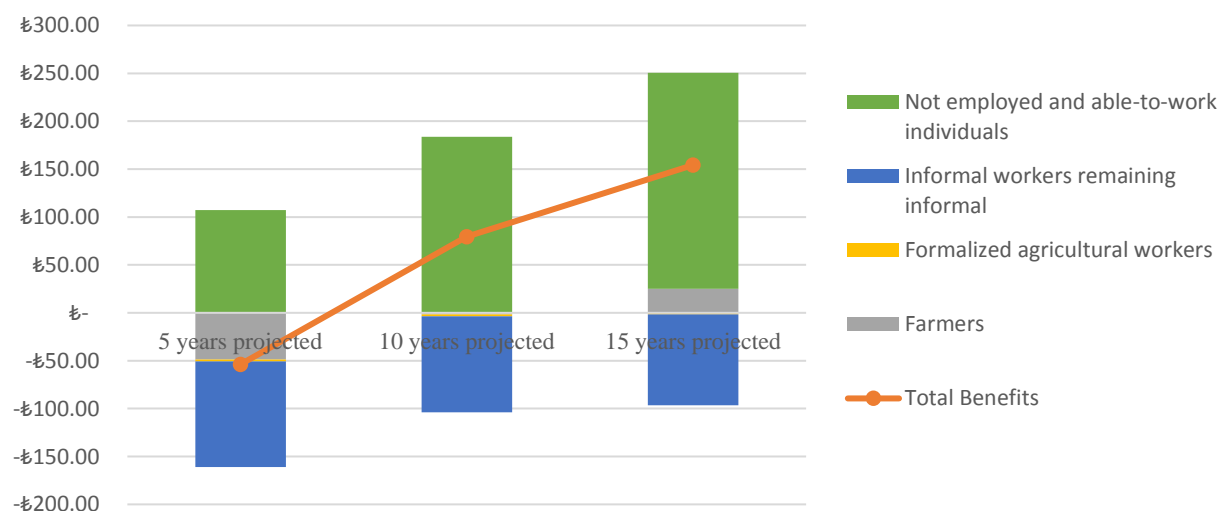




Table 4.1 Parameter values and assumptions used as inputs in the cost-benefit analysis:

2018	
Minimum wage	TL 1,603.00
Discount rate	2.50%
Exchange rate (EUR-TL)	TL 6.36
Share of participants who are informal workers and remain employed at the end of each year after project	95%
Share of participants who are formal workers and remain employed at the end of each year after project	30%
Out-of-labor-force workers who left formal employment after the end of the project, share that returns to formal employment	30%
Share of workers finishing skills training	80%
Wage increase due to the training—yearly increased productivity translated into higher wages	3.9%
Yearly increase in wages after the completion of the training - workers' productivity continue to increase due to skill training <sup>76</sup>	1%
Informal worker average wage	TL 1,101.00
Formal worker average wage	TL 1,585.58
Share of temporary workers - formal	46%
Share of temporary workers - informal	88%
Number of months worked in a year if temporary worker	4.00
Mark-up of farmers	20%
Share of workers formalized by the end of the project	7%
Share of beneficiaries who remained informal, but who become formal each year after the end of the project	1%
Share of beneficiaries with a temporary contract who become permanent each year after the end of the project	2%

<sup>76</sup> Card, David, Kluve, Jochen, and Andrea Weber. 2017. "What Works? A Meta-analysis of Recent Active Labor Market Program Evaluations." *Journal of the European Economic Association* 16 (3): 894–931.



## ANNEX 5: Project Budget

COUNTRY: Turkey

### Agricultural Employment Support for Refugees and Turkish Citizens through Enhanced Market Linkages

	Total EUR including Contingencies, excluding VAT ('000)				
	2020	2021	2022	2023	Total
<b>A. Enhancing Employment Opportunities through Contract Farming</b>					
1. Improving the Skills and Employability of Agricultural Workers	3,522	2,185	2,185	1,899	9,790
2. Increasing Labor Demand through Enhanced Production Capacity of farms	6,393	6,393	6,313	6,319	25,419
<b>Subtotal</b>	9,916	8,578	8,498	8,218	35,209
<b>B. Increasing Demand for Contract Farming</b>	228	1,528	1,250	-	3,005
<b>C. Implementation Support and Institutional Capacity Building</b>					
1. Project Management and Capacity Building	1,254	872	737	480	3,343
2. Grievance and Redress Mechanism and Citizen Engagement	408	406	315	350	1,479
3. Monitoring and Evaluation	2,608	200	800	200	3,808
<b>Subtotal</b>	4,270	1,478	1,852	1,030	8,630
	14,413	11,584	11,600	9,248	46,844





## **ANNEX 6: Initial Approach for Communication and Visibility**

### **COUNTRY: Turkey**

#### **Agricultural Employment Support for Refugees and Turkish Citizens through Enhanced Market Linkages**

190. Communication strategy is one of the most important parts of the project in reaching the target audience. The communication strategy will act as a roadmap to ensure the flow of accurate information among field teams, the PIU, and target audience. The communication strategy aims to:

- establish an effective communication with the target audience,
- promote project activities and outputs,
- lay out communication approaches,
- identify communication channels to execute communication activities,
- facilitate outreach and engagement of refugees and host communities in project activities, and
- communicate to project beneficiaries and stakeholders about the EU's financial contribution to support refugees and host communities in Turkey

191. Activities will be detailed in a Communication and Visibility Plan that will be included in the POM.

192. Communications responsibilities and guidelines that mitigate against potential misunderstandings will be detailed in the POM and extended to all project stakeholders, including the ACC-RUs, primary ACCs, farmers, SuTPs, Turkish agricultural workers, governmental authorities, local authorities, and fund providers.

193. A project Communication and Visibility Plan will be developed by the World Bank together with the ACC for inclusion in the POM and will be sent to the EU Delegation to Turkey for approval ahead of project launch. The following annex presents preliminary guidelines, principles, and indicative objectives/activities for communications efforts under the project.

194. The final plan will be aligned with the European Union Communication and Visibility Manual for External Actions<sup>77</sup> as well as the FRiT Facility Visibility Guidelines.<sup>78</sup> Communication and visibility activities under the project will be implemented in coordination with the World Bank and EU Delegation in Turkey,<sup>79</sup> including visibility requirements.<sup>80</sup>

<sup>77</sup> [https://ec.europa.eu/international-partnerships/system/files/communication-and-visibility-manual\\_en.pdf](https://ec.europa.eu/international-partnerships/system/files/communication-and-visibility-manual_en.pdf)

<sup>78</sup> Communication and Visibility Manual for EU External Actions Projects funded under the EU Facility for Refugees in Turkey Visibility Guidelines\_May2017\_FRiT\_EN\_20170605\_Final.docx <http://avrupa.info.tr/eu-funding-in-turkey/visibility-guidelines.html>.

<sup>79</sup> The EUD will be informed about the events at least 10 days before allowing participation. Designs of all visibility materials, publications, promotional items, and videos will be submitted to the EUD for review and approval before production.

<sup>80</sup> The EU-Turkey joint logo should be accompanied by the following text in English, Turkish, and Arabic (and any other language where needed). *"This project is funded by the European Union"*. Illustrations will be provided in the POM. The materials, items for beneficiary usage, or office supplies to be used by the partners and procured under EU funds should display the EU flag accompanied by the following text in English, Turkish, and Arabic (and any other language where needed): *"Funded by the European Union."* Illustrations will be provided in the POM. The following disclaimer will be used in relevant materials: "This



## Initial Project Communication Objectives

195. **Indicative objectives and messages for each target group.** The Communication and Visibility Plan will target the following initial audiences:

Table 6.1: Indicative Objectives and Measures for Each Target Group		
Target Groups	Indicative Objectives	Messages
<b>Agricultural workers (SuTPs and refugees)</b>	<p>Promote enrollment of potential beneficiaries to the ACC's pool of agricultural workers by informing them about project's benefits; skill enhancement, formal employment, contract farming, increased opportunity of employability in formal agricultural sector.</p> <p>Raise awareness on the benefits of formal employment and address behavioral barriers that avoid beneficiaries from actively looking for a formal job in the agricultural sector.</p> <p>Raise the visibility for the contribution of the EU to the Syrian crisis response in the socioeconomic sector as well as the efforts of the ACC and World Bank in implementation of the program.</p>	<p><b>You can strengthen your skills</b> and gain work experience by registering our project in your province. We provide trainings to boost your agricultural technical skills, improve your adaptation to the Turkish agricultural context, and increase Turkish language skills.</p> <p>By registering to the project, you will be able to be a part of the ACC's workers pool where your skills will be matched with demands of farmers. This will increase your employability and <b>secure sustainable livelihood opportunities</b> in the long term.</p> <p><b>Contract farming</b> scheme, in which you will be a part of when you register, offers minimum wage payment and a commitment to ensure there is no child labor, forced labor, or serious violations of health and occupational safety standards.</p> <p>By being a <b>formal worker</b>, you will become less dependent on social assistance, be more self-reliant, and become development agents and a positive contributor to the Turkish economy. You can enjoy your rights and have access to social security if you are a formal employee in Turkey. Informal work is against the law in Turkey.</p> <p><b>EU's financial contributions</b>, along with the efforts of the ACC and World Bank, have been contributing to welfare of agricultural workers by increasing their employability in the formal agricultural sector.</p>

leaflet/brochure/video... has been produced with the financial support of the European Union. Its content is the sole responsibility of Agricultural Credit Cooperatives and may not reflect the views of the European Union."



<p><b>Agricultural workers (Turkish citizens)</b></p>	<p>Promote enrollment of potential beneficiaries to the ACC's pool of agricultural workers by informing them about project's benefits; skill enhancement, formal employment, increased opportunity of employability in the formal agricultural sector. Raise the visibility for the contribution of the EU to the Syrian crisis response in the socioeconomic sector as well as the efforts of the ACC and World Bank in implementation of the program.</p>	<p>You can <b>strengthen your skills</b> and gain work experience by registering to our project in your province.</p> <p>By registering to the project, you will be able to be a part of the ACC's workers pool where your skills will be matched with demands of farmers. This will increase your employability and <b>secure sustainable livelihood opportunities</b> in the long term.</p> <p><b>Contract farming</b> scheme, in which you will be a part of when you register, offers minimum wage payment and a commitment to ensure there is no child labor, forced labor, or serious violations of health and occupational safety standards.</p> <p><b>EU's financial contributions</b>, along with the efforts of the ACC and World Bank, have been contributing to welfare of agricultural workers by increasing their employability in the formal agricultural sector.</p>
<p><b>Farmers</b></p>	<p>Inform farmers about project's benefits: access to skilled (certified) worker pool, skill-job matching mechanism, wage subsidy. Raise awareness on the benefits of contract farming. Raise the visibility for the contribution of the EU to the Syrian crisis response in the socioeconomic sector as well as the efforts of the ACC and World Bank in implementation of the program.</p>	<p>As farmers you will have access to skilled (certified) worker pool where your needs will be matched with the skills you are looking for. This will also improve your <b>productivity</b> of your work in farms.</p> <p>You will receive <b>financial support</b> for wage subsidy for the duration of the program.</p> <p><b>Contract farming</b> is a promising mechanism for addressing key social and economic problems in the agricultural sector including unemployment, social challenges and exclusion, and refugee integration.</p> <p>The project will benefit <b>both host communities and refugees</b>.</p> <p><b>EU's financial contributions</b>, along with the efforts of the ACC and World Bank, have been contributing to welfare of farmers by offering access to skilled workers pool and wage subsidy.</p>
<p><b>Host community, media, national authorities, and communities/general</b></p>	<p>Provide awareness on the project and its impact; promoting the project as an approach to help harmonize refugees into the socioeconomic life in Turkey.</p>	<p><b>EU's financial contributions</b>, along with the efforts of the ACC and World Bank in the socioeconomic sector have been contributing to</p>



<b>public, international organizations, donor community</b>	Highlight the potential of contract farming to offer solutions for communities in Turkey to support socioeconomic development. Promote contract farming to make their services or products visible to farmers and agricultural workers.	<p>the Turkish Government's generous efforts in responding to the Syrian crisis.</p> <p>With the funding from the EU, the ACC and World Bank work toward improving the employability of and facilitating the transition into <b>formal employment opportunities</b> for Turkish citizens and refugees working in rural host communities in selected provinces.</p> <p>The project will provide <b>wage subsidy</b>, TA, trainings, and micro-scale investments to its beneficiaries.</p> <p>The project improves the productivity of farmers by extending the ACCs' <b>contract farming</b> while providing incentives to increase formal employment of workers.</p>
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### Indicative Communications Activities and Budget

196. The following table outlines options for possible communications and visibility activities and indicative budget that will be considered as the final Communication and Visibility Plan that is developed for the POM.

Table 6.2: COMMUNICATION AND VISIBILITY ACTIVITIES		
Indicative Activity	Indicative Scope/Tools	Indicative Budget (EUR)
<b>Opening and Closing Ceremonies</b>	<ul style="list-style-type: none"> <li>1 province</li> <li>2 events in the beginning and at the end of project</li> <li>Includes video, short film, and photo documentation</li> <li>Press invitation social media posts</li> <li>The budget also includes travel and accommodation expenses of field staff in 6 pilot provinces attending to the events</li> <li>Closing ceremony may include a (photo/video) exhibition type of activity showcasing the work completed under the project.</li> </ul>	130,000
<b>Awareness raising campaign:</b> Contract farming for farmers, sector professionals, general public, press, retail markets	<ul style="list-style-type: none"> <li>Social media campaign explaining benefits of contract farming</li> <li>Information package (brochures, posters, videos)</li> <li>TV, radio, and outdoor ads</li> <li>Selected provinces</li> <li>Press releases</li> </ul>	150,000



<b>Awareness raising events: Harvest Days: for farmers, sector professionals, press</b>	<ul style="list-style-type: none"> <li>• High-level participation and press invitation</li> <li>• Social media, web story, press release</li> <li>• Video of the event with insights from farmers and workers</li> <li>• 3 events starting from 2021</li> </ul>	100,000
<b>Visibility materials (visual enhancement in field offices) and outreach package</b>	<ul style="list-style-type: none"> <li>• Project identity</li> <li>• Standard visibility materials in the provinces and visual enhancement of field offices and registration points</li> <li>• Visibility materials for central level</li> <li>• Outreach package (brochures, posters, information desks, social media posts, reaching out to beneficiary groups through Whatsapp and social media groups that are favored by refugee communities; language availability in Turkish and Arabic)</li> </ul>	160,000
<b>Project's online presence</b>	<ul style="list-style-type: none"> <li>• 4 years</li> <li>• <u>Social media management</u>: Weekly updates, visuals, announcements, stories, and infographics will be on project-dedicated Social Media accounts: Facebook, Twitter, Instagram, LinkedIn. Designs, developing social media plans, and publishing will be the responsibility of the contracting firm. Content will be developed in collaboration with the communication officer in the PIU.</li> <li>• <u>Website services for web</u>: Weekly updates, visuals, announcements, stories, and infographics will be on the project-dedicated website. Web hosting, domain, development of website design, and publishing will be the responsibility of the contracting firm. Content will be developed in collaboration with the communication officer in the PIU.</li> </ul>	200,000
<b>One-minute video series</b>	<ul style="list-style-type: none"> <li>• Reflecting stories of farmers and workers</li> <li>• At least 6 videos per year (starting from 2021)</li> <li>• Social media dissemination</li> </ul>	120,000
<b>Booklet: Farmers and workers tell their stories</b>	<ul style="list-style-type: none"> <li>• Photo portraits of farmers and workers</li> <li>• Information sections on contract farming</li> <li>• Stories and quotes of beneficiaries</li> <li>• Dissemination in events and online channels</li> </ul>	65,000
<b>TOTAL</b>		<b>925.000</b>

197. **Outreach, grievance redress, and citizen engagement:** Activities involving outreach, grievance redress, and citizen engagement are not listed under communication and visibility budget, which include:

**Table 6.3: OUTREACH ACTIVITIES WITH COMMUNICATION OUTCOMES**

Indicative Activity	Indicative Scope/Tools	Indicative Budget
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		(EUR)
<b>Information meetings for refugees, host communities, local authorities and media</b>	<ul style="list-style-type: none"><li>• 6 Provinces - broad outreach to host community, SuTPs and other refugees</li><li>• 24 Informative Meetings</li><li>• 3 Annual Evaluation Meetings</li><li>• Includes video and photo documentation</li></ul>	400,000
<b>TOTAL</b>		<b>400,000</b>

**Table 6.4: GRIEVANCE AND REDRESS AND CITIZEN ENGAGEMENT**

Indicative Activity	Indicative Scope/Tools	Indicative Budget (EUR)
<b>GRM</b>	<ul style="list-style-type: none"><li>• Hotline set up for feedback and complaints; human resources provided for the maintenance of hotline</li></ul>	100,000
<b>TOTAL</b>		<b>100,000</b>