



The World Bank

Agricultural Employment Support for Refugees and Turkish Citizens through Enhanced Market Linkages
(P171543)

Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 18-Mar-2020 | Report No: PIDA27728

BASIC INFORMATION

A. Basic Project Data

Country Turkey	Project ID P171543	Project Name Agricultural Employment Support for Refugees and Turkish Citizens through Enhanced Market Linkages	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 12-Mar-2020	Estimated Board Date 15-Apr-2020	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) Agricultural Credit Cooperatives Central Union	Implementing Agency Agricultural Credit Cooperatives Central Union	

Proposed Development Objective(s)

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

Components

Enhancing employment opportunities through contract farming
 Increasing demand for contract farming
 Implementation support and institutional capacity building

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	52.10
Total Financing	52.10
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	52.10
European Commission Development Fund - TF	52.10

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

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.

Economic vulnerabilities that had accumulated over the past 4 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 of the Lira. This profoundly affected the real and financial sectors. Corporations 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 ten percent in January 2018 to 14 percent in June 2019.

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 eroded over the past two years, exposing Turkey to external market pressure.

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 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.

Turkey now faces a two-fold challenge: in the near-term to extricate itself from a downturn while inflation is high, the external environment is weak, and firms are struggling under a weight of debt; and to put in place appropriate policy and institutional settings to support a shift to a sustainable-medium term growth model. The pace and sustainability of Turkey’s recovery will depend on reducing economic uncertainty backed by consistent policy mix. The economy has stabilized in the short-term. GDP is projected to record zero percent growth in 2019 with a rebound to 3 percent and 4 percent in 2020 and 2021, respectively. However, given the high degree of uncertainty in the global outlook, restoring confidence and reducing domestic risk premia with tight monetary stance and effective fiscal policy would be key for sustaining recovery. Rigorous progress in advancing structural reforms such as improving investment climate, deepening financial markets and completing overdue labor market reforms will help to mitigate vulnerabilities, and support growth in the medium term.

Turkey is both a transit and reception country for migrants and refugees and, globally, the country hosts the highest number of refugees.¹ 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,² 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 stretch the limited capacity of local governments and other service providers. Apart from the large cities such as Ankara, Istanbul and Izmir, many of the cities hosting a high concentration of Syrians are already located in the more vulnerable or disadvantaged provinces in Turkey, which exacerbates the development challenges.

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 2017.³ 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).⁴ 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

¹ Directorate General of Migration Management (DGMM), 2019. This PAD uses the term refugee regardless of country of origin, although Syrians are under temporary protection status, and non-Syrians under international protection law.

http://www.goc.gov.tr/icerik6/temporary-protection_915_1024_4748_icerik

² 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 28 April 2011 are provided with temporary protection.

³ European Commission (2018): Technical Assistance to the EU Facility for Refugees in Turkey – Updated EU Needs Assessment. October 2018. Refer to: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/updated_needs_assessment.pdf

⁴ Ibid.

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. These efforts have also been geared towards facilitating refugee access to existing public services while strengthening the capacity and responsiveness of state institutions at the national and local levels.

Sectoral and Institutional Context

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 to 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. For example, 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.⁵

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.⁶ Additionally, among ESSN beneficiaries, 14 percent have no formal education and 39 percent have only attended primary school.⁷ 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.⁸ 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 refugee workers.

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 GDP in Turkey has been declining, falling from 12 percent in 1998 to 6 percent in 2017, agriculture still represents about 20 percent of 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 5 years of schooling as compared to 29 percent on average in the other sectors, and only 11 percent with a high

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

⁶ TRC Livelihood Survey 2018.

⁷ Turkish Red Crescent. 2018. Livelihoods Analysis. unpublished.

⁸ 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).

school degree or above as compared to 52 percent on average in the other sectors.⁹ 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.¹⁰

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 percent¹¹ 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.

While the agricultural sector provides support mechanisms for farmers, these interventions aim to reduce the costs of production and do not have a specific aim to 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 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 subsidies¹² do not apply to the agricultural sector.

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.¹³ 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.¹⁴ Refugees rely almost completely on intermediaries for communication and matching with agricultural employers due to language barriers, and work for even lower wages and sometimes live under unfavorable conditions, such that a portion of the refugee families working

⁹ 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.

¹⁰ Those in refugee status do not need to obtain work permits to work as agricultural seasonal workers.

¹¹ Source: Turkish Statistical Institute Household Labor Force Survey.

¹² In 2019, the GoT implemented over a dozen subsidies to cover 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.

¹³ A study in 2016 by the 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.

¹⁴ 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.



in agriculture live in tents provided to them by the landowners without access to heat or running water.¹⁵ Many employers state their willingness to provide training for refugees but cite a lack of linkages to relevant training institutions.¹⁶ Putting in place interventions to bridge the skills gap would enable Turkish farmers to benefit from the availability of a large, low-cost labor pool.

The proposed project aims to support the integration of low-skilled refugees and host community workers into the labor force in the agriculture sector. The proposed project takes a holistic approach, combining demand and supply side interventions to encourage formal job creation and support workers to access possible jobs options. On the supply side, for higher-skilled workers and those with more regular employment, the proposed project will support a pathway toward formalization through enrollment in Turkey's social insurance scheme within the Social Security Institute (SSI). For refugees, particularly those who are unskilled, the aim of the proposed project is to enhance their soft and technical skills, providing relevant training (including Turkish language training), and improve their knowledge of their rights under Turkish law. These actions are anticipated to result in better employment conditions, position them toward securing registration and working status and thus moving them toward formalization.

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 Cooperatives (ACCs) can help overcome some of these constraints.¹⁷ By ensuring market linkages, ACCs 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.¹⁸ Because the commodity types, volumes, and the quality of the product are determined in advance, contract farming can incentivize farmers to increase higher quality production by guaranteeing access to markets, which would in turn would require improved farming practices, increase demand for skilled agricultural labor and help create a pathway toward formal employment in the agricultural sector. 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 making progress towards this policy objective, having negotiated new agreements with private retailers, processors and associations to create a market for contract farming products as a result of which the volume of products produced through contract farming is expected to rise substantially in the coming years.

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 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.

¹⁵ Development Workshop. 2016. "Fertile Lands, Bitter Lives: The Situation Analysis Report on Syrian Seasonal Agricultural Workers in the Adana Plain".

¹⁶ FAO. 2018. *Turkey: Syrian Refugee and Resilience Plan 2018–19*. FAO, pages 5–6.

¹⁷ The ACCs are comprised of primary cooperatives, Regional Unions and a Central Union.

¹⁸ 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.



C. Proposed Development Objective(s) (PDO)

Development Objective(s) (From PAD): *To improve the conditions for formal agricultural employment opportunities in selected host communities*

Key Results

Progress towards the PDO will be measured through:

- Number of workers who received certified training
- Number of formal jobs created
- Number of employers participating in the project
- Number of ACC members¹⁹ entering into contract farming

¹⁹ in primary ACC's participating in the project



D. Project Description

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 (Component 1) (b) strengthening the demand for contract farming among ACC member farmers (Component 2), and (c) providing implementation support and capacity building for the ACCs (Component 3).

Component 1 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 component will achieve this objective by implementing a set of integrated measures aimed at increasing the productivity of agricultural workers while supporting farmers to engage in formal contracts with a 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. This component will be implemented through the signing and execution of contract farming schemes by the primary ACCs with its member farmers. Given the innovative nature of this component, the monitoring and evaluation initiatives included in through Component 3 will inform implementation and, as needed, modifications to design parameters.

Component 2 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. In order to address these constraints, this component will provide micro and small grants to primary ACCs to fund a portion 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. However, this component is not designed to address the broader structural constraints in the agricultural sector and its value chains that constrain further gains in productivity.

Component 3 will strengthen the capacity of ACC (Central, Regional, and primary ACCs) to effectively implement the proposed project, including its monitoring and evaluation (M&E) as well as communications both to potential beneficiaries and to the public at large, including a Grievance and Redress Mechanism that will provide an avenue for beneficiaries, workers, farmers, employers, and the communities more broadly to lodge complaints.

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

Summary of Assessment of Environmental and Social Risks and Impacts

E. Implementation

Institutional and Implementation Arrangements

The ACC Central Union (ACC-CU) will implement the project, with its relevant departments carrying out the proposed activities in line with their mandates as defined in ACC-CU organizational structure. These departments are (a) Marketing, (b) Training, (c) Information Technologies, (d) Financial, (d) Procurement, and (e) the Corporate Relations and Communication Directorate. A Project Implementation Unit (PIU) will be established under the ACC Central Union, which will support the responsible departments to carry out project-specific tasks. At the field level, the primary ACCs will manage the execution of contract farming contracts. A Steering Committee will be established to provide overall strategic guidance to the proposed project.

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APPROVAL

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