



<b>1. Project Data:</b>		<b>Date Posted :</b> 01/15/2004	
<b>PROJ ID:</b> P048851		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Turkey Commodities Market Development Project	<b>Project Costs (US\$M)</b>	5.7	2.1
<b>Country:</b> Turkey	<b>Loan/Credit (US\$M)</b>	4.0	1.4
<b>Sector(s):</b> Board: RDV - Agricultural marketing and trade (75%), Central government administration (25%)	<b>Cofinancing (US\$M)</b>	1.3	0.4
<b>L/C Number:</b> L4376			
	<b>Board Approval (FY)</b>		99
<b>Partners involved :</b>	<b>Closing Date</b>	03/31/2001	03/30/2003
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
John R. Heath	Alice C. Galenson	Alain A. Barbu	OEDST
<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
<p>(i) Increase the marketing efficiency of grains and cotton through selected commodities exchanges by introducing improved systems of price discovery, dematerialized trade, and regulatory oversight;</p> <p>(ii) demonstrate the benefits resulting from increased private commodity marketing; and</p> <p>(iii) provide a model for development of other private exchanges, and impetus for government to withdraw from its intervention in the marketing of other commodities". (Project Appraisal Document, pp. 2-3)</p>			
<b>b. Components</b>			
<p>(i) Modernization support to commodities exchanges (estimated cost US\$4.3 million, actual cost US\$1.3 million);</p> <p>(ii) Training and technical assistance to develop trading institutions and strengthen oversight capabilities (estimated cost US\$0.9 million, actual cost US\$0.6 million); and</p> <p>(iii) Project impact evaluation (estimated cost US\$0.2 million, actual cost US\$0.2 million).</p>			
<b>c. Comments on Project Cost, Financing and Dates</b>			
<p>This was a Learning and Innovation Loan . In addition to the component costs noted above, US\$ 40,000 was spent on the project implementation unit, or one-fifth of the estimated cost of US\$200,000. Overall, the actual project cost was only 37 percent of the estimated amount. Most of the shortfall was explained by the smaller than expected physical investment for modernization (Component [i]), which was related to the substantial delay in passing a law to establish a warehouse receipts system . US\$2.6 million of the Bank loan was canceled . The project closed two years later than expected owing to delayed set up of a project implementing unit and the implementing agencies' unfamiliarity with Bank procedures.</p>			
<b>3. Achievement of Relevant Objectives:</b>			
<p>(i) <i>Partially Achieved.</i> An econometric study has demonstrated price convergence between participating commodity exchanges, indicating increased marketing efficiency . Customer surveys reveal that efficiency is perceived to have increased. But the legal framework for implementing a warehouse receipts system is not yet in place and less progress than expected was made in improving government capacity for regulatory oversight of commodity exchanges, partly owing to delays in implementing training .</p> <p>(ii) <i>Achieved.</i> The results of customer surveys show a growing appreciation of the benefits from increased private commodity marketing.</p> <p>(iii) <i>Achieved.</i> One exchange not considered for inclusion in the project requested to participate, following a positive evaluation of developments at other participating exchanges; other exchanges have expressed interest . Between 1998 and 2002, state procurement of grain fell from 26 percent to 5 percent of domestic output, partly owing to the enhanced capability and efficiency of the private commodity exchanges .</p>			

**4. Significant Outcomes/Impacts:**

Before this project there were no scientifically-based standards for grading wheat and cotton in Turkey, no automated wheat sampling techniques, and no trading of wheat other than on the basis of physical handling . By the end of the project two exchanges were conducting automated grain sampling and electronic floor trading, with results posted to their websites. Consequently, these exchanges evolved into the benchmarks for price formation in Turkish grain markets. Surveys were conducted at three exchanges in 2000, 2002 and 2003, the respondents comprising a random sample of 5 percent of the users of the exchanges . Customer satisfaction increased steadily between the first and third survey .

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

At closing, the project had elicited investment by only three of the seven commodity exchanges initially targeted, although an additional exchange (not considered at project startup) did invest, attracted by the benefits that had been reaped by the three earlier participants . The absence of enabling legislation and inadequate regulatory capacity impeded the establishment of bonded warehouses, a warehouse receipt system and corporatization of the exchanges. Preparation of a draft warehouse receipt and licensed warehousing act was delayed; it was completed shortly before project closing and is now being considered by parliament . Project implementation was substantially delayed, owing to government staff turnover, shortfalls in counterpart funding, and the delayed approval by the Ministry of Finance of training services provided under the project .

<b>6. Ratings:</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome :</b>	Satisfactory	Satisfactory	The ICR text describes the overall outcome as "marginally satisfactory", noting that there were "a number of shortcomings" (p.5). But the benefits exceeded the (very low) costs of the project, and probably had a substantial demonstration effect that will benefit future development of Turkish commodity exchanges.
<b>Institutional Dev .:</b>	Modest	Substantial	Although fewer commodity exchanges participated than originally envisaged, those that did participate provided a showcase for efficient commodity marketing, encouraging others to follow suit. The impact was substantial in relation to the small investment made .
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Unsatisfactory	Unsatisfactory	
<b>Quality of ICR :</b>		Exemplary	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

**7. Lessons of Broad Applicability:**

- (i) Expectations of the time needed to implement projects supported by Learning and Innovation Loans need to be flexible: precisely because the approach is innovative and not all obstacles can be foreseen .
- (ii) The development of draft legislation and the establishment of the project implementing unit should be conditions for loan effectiveness.
- (iii) Where major policy change is starting to occur, a small investment project can have substantial leverage and spillover effects.

**8. Assessment Recommended?**  Yes  No

**9. Comments on Quality of ICR:**

A frank and full assessment of the project's strengths and weaknesses, with well -chosen performance indicators the data on which fully support the rating of project outcome as satisfactory .