



**MINISTRY OF TREASURY AND FINANCE  
BOARD OF TREASURY CONTROLLERS**

**TURKEY IRRIGATION MODERNIZATION PROJECT**

**Implemented by**

**MINISTRY of AGRICULTURE and FORESTRY  
General Directorate of State Hydraulic Works**

**Financed Under IBRD Loan Numbered 8919-TR**

**As of December 31, 2022 and For the Year Then Ended**

**Prepared by**

**Neslihan ÖNDER  
Senior Treasury Controller**

**İnanç KAPLAN  
Junior Treasury Controller**

**Report's Number**

**91/3 - 20/4**

**INDEPENDENT AUDITOR'S REPORT**

**June 09, 2023**





## CONTENTS

EXECUTIVE SUMMARY .....	1
A. Project Summary.....	2
B. Objectives of Audit.....	2
C. Scope of Audit.....	3
D. Audit Results.....	3
E. Management Recommendation .....	3
INDEPENDENT AUDITOR'S REPORT & FINANCIAL STATEMENTS OF THE PROJECT .....	4
INDEPENDENT AUDITOR'S REPORT .....	5
Opinion.....	5
Basis for Opinion.....	5
Emphasis of Matter in the Financial Statement.....	5
Going Concern.....	5
Responsibilities of Management and Those Charged with Governance or Other Appropriate Terms for the Financial Statements.....	6
Auditor's Responsibilities for the Audit of the Financial Statements.....	6
ANNEX I: Financial Statements.....	8

## **EXECUTIVE SUMMARY**



## EXECUTIVE SUMMARY

### A. Project Summary

The Republic of Türkiye was provided a loan equivalent to € 222.300.000,00 (approximately USD 252.000.000,00) by the loan agreement signed with International Bank for Reconstruction and Development (IBRD) on February 15, 2019. Having approved by the Presidency of the Republic of Türkiye on April 16, 2019 the loan agreement came into force on May 30, 2019 and accordingly, the implementation of the Project started. This project is implemented by Ministry Agriculture and Forestry, General Directorate of State Hydraulic Works (DSİ).

The overall objective of this Project is to improve irrigation service delivery, through rehabilitation and modernization of distribution infrastructure in selected schemes, and through strengthening of capacity of Water User Associations (“WUAs”).

Project consists of the following three components:

A. Irrigation Systems Modernization

B. Innovation and Institutional Support

C. Project Management

The total amount of the Project is estimated as \$ 254.000.000,00 of which € 222.300.000,00 (approximately \$ 252.000.000,00) International Bank for Reconstruction and Development (IBRD) loan and \$ 2.000.000,00 Global Environment Facility (“GEF”) grant. Total opening balance of the Central Bank of the Republic of Türkiye (TCMB) designated account for loan, as of January 1, 2022 is € 4.810.260,43 and closing balance as of December 31, 2022 is € 3.464.181,79. According to the Project Financial Statements, € 30.346.078,64 was disbursed in this audit period and € 53.035.818,21 was disbursed cumulatively.

This report is prepared for all components of the Project.

### B. Objectives of Audit

The objectives of our audit are;

a) To give an opinion on whether the financial statements, prepared as of December 31, 2022 present fairly in all material respects the financial position of the Project in accordance with the cash receipts and disbursements basis of accounting,

b) To determine, as of December 31, 2022, whether the General Directorate of State Hydraulic Works (DSI) has complied, in all material respects, with the rules and procedures of the Loan Agreement

c) To examine whether adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred with respect to Statement of Expenditures and evaluate eligibility of these expenditures for financing under the World Bank Loan Agreement.

#### **C. Scope of Audit**

We have performed an audit of financial statements of the project as of December 31, 2022 and for the year then ended in accordance with the cash receipts and disbursements basis of accounting. We have also performed a compliance audit on whether Project activities are in line with the Loan Agreement and related World Bank Guidelines.

Our audit was conducted in accordance with International Standards on Auditing (ISAs) published by International Federation of Accountants (IFAC) applicable to the audit of financial statements and compliance auditing and related World Bank Guidelines.

There was no limitation in our scope for the Project's audit.

#### **D. Audit Results**

For the financial statements of Project, our audit resulted with an unmodified opinion.

In addition, as of December 31, 2022, General Directorate of State Hydraulic Works (DSI) has complied, in all material respects, with the rules and procedures of the Loan Agreement.

With respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred and these expenditures are eligible for financing under the World Bank Loan Agreement.

#### **E. Management Recommendation**

Since we have not identified any material deficiency in internal control during our audit, we have not issued a Management Letter.

**INDEPENDENT AUDITOR'S REPORT &  
FINANCIAL STATEMENTS OF THE PROJECT**



## **INDEPENDENT AUDITOR'S REPORT**

### **General Directorate of State Hydraulic Works**

#### **Opinion**

We have audited the accompanying financial statements of the Turkey Irrigation Modernization Project as of December 31, 2022 and for the period then ended, which comprise the Statement of Sources and Uses of Funds, Statement of Cumulative Investments, Statement of Special Account and the Notes to the Project Financial Statements including the summary of significant accounting policies. The financial statements have been prepared by General Directorate of State Hydraulic Works based on financial reporting provisions of the Loan Agreement Numbered 8919-TR.

In our opinion;

- a) The accompanying the Statement of Sources and Uses of Funds, Statement of Cumulative Investments and Statement of Special Account present fairly, in all material respects, the financial position and cash flows of the Turkey Irrigation Modernization Project as of December 31, 2022 and for the period then ended in accordance with the provisions of the Loan Agreement Numbered 8919-TR.
- b) General Directorate of State Hydraulic Works, as of December 31, 2022 has complied with, in all material respects, the requirements of the Loan Agreement Numbered 8919-TR.
- c) With respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditures incurred, and these expenditures are eligible for financing under the Loan Agreement Numbered 8919-TR.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report. We are independent of the General Directorate of State Hydraulic Works within the meaning of "IFAC Code of Ethics for Professional Accountants" and ethical requirements and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of Matter in the Financial Statement**

Without modifying our opinion, we draw attention to Note "2" to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist General Directorate of State Hydraulic Works to comply with the financial reporting provisions of the agreement referred to above. As a result, the financial statements may not be suitable for another purpose.

#### **Going Concern**

The Project's financial statements have not been prepared using the going concern basis of accounting. The project will be completed on February 27, 2026.



## **Responsibilities of Management and Those Charged with Governance or Other Appropriate Terms for the Financial Statements**

General Directorate of State Hydraulic Works is responsible for the preparation and fair presentation of these financial statements in accordance with Loan Agreement Numbered 8919-TR and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the General Directorate of State Hydraulic Works' financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.






REPUBLIC OF TÜRKİYE  
MINISTRY OF TREASURY AND FINANCE  
Board of Treasury Controllers


We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

  
Ahmet TUTAL

Chairman of  
Board of Treasury Controllers

  
Akif Bülent BOYACIOĞLU  
(Audit Partner)  
Vice Chairman

  
Neslihan ÖNDER  
Senior Treasury Controller

  
İnanç KAPLAN  
Junior Treasury Controller

Date: June 09, 2023

Address: Ministry of Treasury and Finance  
Board of Treasury Controllers  
06490, Emek, ANKARA/TÜRKİYE

## **ANNEX I: Financial Statements**

**GENERAL DIRECTORATE of STATE HYDRAULIC WORKS**  
**TURKEY IRRIGATION MODERNIZATION PROJECT 89190-TR**  
**STATEMENT OF SOURCES and USES of FUNDS**  
**As of December 31, 2022 and For The Year Then Ended.**  
**(In EURO)**

	Notes	Actual		Planned		Variance	
		YTD	Cumulative	YTD	Cumulative	YTD	Cumulative
<b>I-SOURCES OF FUNDS</b>							
A-Government Contributions		0,00	0,00	0,00	0,00	0,00	0,00
B-Other Sources of Funds		0,00	0,00	0,00	0,00	0,00	0,00
C-IBRD Loan	5	29.000.000,00	56.500.000,00	29.000.000,00	78.839.721,71	0,00	22.339.721,71
1-Direct Payments		0,00	0,00	0,00	0,00	0,00	0,00
2-Special Account	5	29.000.000,00	56.500.000,00	29.000.000,00	78.839.721,71	0,00	22.339.721,71
a) Advance	5	0,00	14.618.127,64	0,00	15.000.000,00	0,00	381.872,36
b) SOE Procedures		29.000.000,00	41.881.872,36	29.000.000,00	63.839.721,71	0,00	21.957.849,35
c) Summary Sheet		0,00	0,00	0,00	0,00	0,00	0,00
3-Front-end-Fee		0,00	0,00	0,00	0,00	0,00	0,00
D-Refunds to Special Account		0,00	0,00	0,00	0,00	0,00	0,00
<b>Total Funds Received</b>		<b>29.000.000,00</b>	<b>56.500.000,00</b>	<b>29.000.000,00</b>	<b>78.839.721,71</b>	<b>0,00</b>	<b>22.339.721,71</b>
<b>II-USES OF FUNDS</b>							
<b>Component 1: Irrigation Systems Modernization</b>							
A- Eregli-Ivriz Irrigation Scheme Modernization Project		30.306.641,02	52.678.298,23	37.202.928,91	59.574.586,12	6.896.287,89	6.896.287,89
B- Atabey Irrigation Scheme Modernization Project		22.566.071,63	36.353.511,51	25.556.230,88	39.343.670,76	2.990.159,25	2.990.159,25
C- Alasehir Irrigation Scheme Modernization Project		2.133.604,11	3.151.358,66	4.117.217,98	5.134.972,53	1.983.613,87	1.983.613,87
D- Uzunlu Irrigation Scheme Modernization Project		100.971,22	1.175.591,80	1.220.237,54	2.294.858,12	1.119.266,32	1.119.266,32
		5.505.994,06	11.997.836,26	6.309.242,51	12.801.084,71	803.248,45	803.248,45
<b>Component 3: Project Management</b>							
A- Consultancy services for Eregli-Ivriz left bank Land Acquisition Plans (LAP) and Resettlement Action Plans (RAP) .		39.437,62	357.519,98	83.471,06	434.559,87	44.033,44	77.039,89
B- Consultancy services for Alasehir Land Acquisition Plans (LAP) and Resettlement Action Plans (RAP)		0,00	106.695,14	-	106.695,14	-	-
C- Consultancy services for AtabeyLand Acquisition Plans (LAP) and Resettlement Action Plans (RAP)		5.130,92	103.172,31	5.130,92	103.172,31	-	-
D- Accounting and reporting software and support service procurement for the project implementation unit		9.220,28	109.981,65	5.145,23	105.906,60	4.075,05	4.075,05
E- Consulting Services for Dam Safety-I		0,00	10.309,05	-	10.309,05	-	-
F- Dam Safety Measurement Devices Procurement and Installation		0,00	0,00	-	33.006,45	-	33.006,45
G- Employment of a Financial Management and Disbursement Expert		0,00	0,00	46.020,00	46.020,00	46.020,00	46.020,00
I - Operational Costs (Intermediary Bank Swift Commission)	8	24.916,42	27.191,83	27.004,91	29.280,32	2.088,49	2.088,49
		170,00	170,00	170,00	170,00	-	-
<b>Total Funds Used</b>		<b>30.346.078,64</b>	<b>53.035.818,21</b>	<b>37.286.399,97</b>	<b>60.009.145,99</b>	<b>6.940.321,33</b>	<b>6.973.327,78</b>
Cash at the beginning of the period 01.01.2022	7	4.810.260,43					
Cash at the end of the period 31.12.2022	7	3.464.181,79					

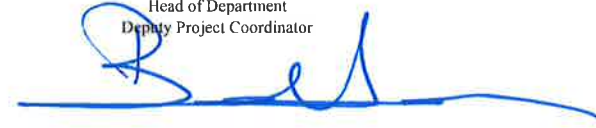
Prepared by

Abdullah KARAKUŞ  
Financial Service Expert



Approved by

Oğuzhan BEKTAŞ  
Head of Department  
Deputy Project Coordinator



GENERAL DIRECTORATE OF STATE HYDRAULIC WORKS  
TURKEY IRRIGATION MODERNIZATION PROJECT/ 89190-TR  
STATEMENT OF CUMULATIVE INVESTMENTS  
As of December 31, 2022 and For The Year Then Ended  
(In EURO)

1- INVESTMENTS

Investment Costs	Actual		Planned		Variance	
	YTD	Cumulative	YTD	Cumulative	YTD	Cumulative
Component 1- Irrigation Systems Modernization	30.306.641,02	52.678.298,23	37.202.928,91	59.574.586,12	6.896.287,89	6.896.287,89
A- Ereğli-Izmir Irrigation Scheme Modernization Project	22.566.071,63	36.353.511,51	25.556.230,88	39.343.670,76	2.990.159,25	2.990.159,25
B- Atabey Irrigation Scheme Modernization Project	2.133.604,11	3.151.358,66	4.117.217,98	5.134.972,53	1.983.613,87	1.983.613,87
C- Alaschir Irrigation Scheme Modernization Project	100.971,22	1.175.591,80	1.220.237,54	2.294.858,12	1.119.266,32	1.119.266,32
D- Uzunlu Irrigation Scheme Modernization Project	5.505.994,06	11.997.836,26	6.309.242,51	12.801.084,71	803.248,45	803.248,45
Component 3- Project Management	39.437,62	357.519,98	83.471,06	434.559,87	44.033,44	77.039,89
A- Consultancy services for Ereğli-Izmir left bank Land Acquisition Plans (LAP) and Resettlement Action Plans (RAP)	0,00	106.695,14	0,00	106.695,14	0,00	0,00
B- Consultancy services for Alaschir I and Acquisition Plans (LAP) and Resettlement Action Plans (RAP)	5.130,92	103.172,31	5.130,92	103.172,31	0,00	0,00
C- Consultancy services for Atabey I and Acquisition Plans (LAP) and Resettlement Action Plans (RAP)	9.220,28	109.981,65	5.145,23	105.906,60	-4.075,05	-4.075,05
D- Accounting and reporting software and support service procurement for the project implementation unit	0,00	10.309,05	0,00	10.309,05	0,00	0,00
E- Consulting Services for Dam Safety-I	0,00	0,00	0,00	33.006,45	0,00	33.006,45
F- Dam Safety Measurement Devices Procurement and Installation	0,00	0,00	46.020,00	46.030,00	46.020,00	46.020,00
G- Employment of a Financial Management and Disbursement Expert	24.916,42	27.191,83	27.004,91	29.280,32	2.088,49	2.088,49
I- Operational Costs (Intermediary Bank Swift Commission)	170,00	170,00	170,00	170,00	0,00	0,00
<b>Total Project Components Costs</b>	<b>30.346.078,64</b>	<b>53.035.818,21</b>	<b>37.286.399,97</b>	<b>60.009.145,99</b>	<b>6.940.321,33</b>	<b>6.973.327,78</b>
<b>PROJECT INVESTMENTS</b>	<b>30.346.078,64</b>	<b>53.035.818,21</b>	<b>37.286.399,97</b>	<b>60.009.145,99</b>	<b>6.940.321,33</b>	<b>6.973.327,78</b>

2- INVESTMENTS BY SUB-CATEGORIES

Category Name	Actual		Planned		Variance	
	YTD	Cumulative	YTD	Cumulative	YTD	Cumulative
<b>1) WORKS</b>	<b>30.306.641,02</b>	<b>52.678.298,23</b>	<b>37.202.928,91</b>	<b>59.574.586,12</b>	<b>6.896.287,89</b>	<b>6.896.287,89</b>
Ereğli-Izmir Irrigation Scheme Modernization Project	22.566.071,63	36.353.511,51	25.556.230,88	39.343.670,76	2.990.159,25	2.990.159,25
Atabey Irrigation Scheme Modernization Project	2.133.604,11	3.151.358,66	4.117.217,98	5.134.972,53	1.983.613,87	1.983.613,87
Alaschir Irrigation Scheme Modernization Project	100.971,22	1.175.591,80	1.220.237,54	2.294.858,12	1.119.266,32	1.119.266,32
Uzunlu Irrigation Scheme Modernization Project	5.505.994,06	11.997.836,26	6.309.242,51	12.801.084,71	803.248,45	803.248,45
<b>2) GOODS</b>	<b>0,00</b>	<b>10.309,05</b>	<b>46.020,00</b>	<b>56.329,05</b>	<b>46.020,00</b>	<b>46.020,00</b>
Accounting and reporting software and support service procurement for the project implementation unit	0,00	10.309,05	0,00	10.309,05	0,00	0,00
Dam Safety Measurement Devices Procurement and Installation	0,00	0,00	46.020,00	46.030,00	46.020,00	46.020,00
<b>3) CONSULTING SERVICES</b>	<b>39.267,62</b>	<b>347.040,93</b>	<b>37.281,06</b>	<b>378.060,82</b>	<b>-1.986,56</b>	<b>31.019,89</b>
Consultancy services for Ereğli-Izmir left bank Land Acquisition Plans (LAP) and Resettlement Action Plans (RAP)	0,00	106.695,14	0,00	106.695,14	0,00	0,00
Consultancy services for Alaschir I and Acquisition Plans (LAP) and Resettlement Action Plans (RAP)	5.130,92	103.172,31	5.130,92	103.172,31	0,00	0,00
Consultancy services for Atabey I and Acquisition Plans (LAP) and Resettlement Action Plans (RAP)	9.220,28	109.981,65	5.145,23	105.906,60	-4.075,05	-4.075,05
Consulting Services for Dam Safety-I	0,00	0,00	0,00	33.006,45	0,00	33.006,45
Employment of a Financial Management and Disbursement Expert	24.916,42	27.191,83	27.004,91	29.280,32	2.088,49	2.088,49
<b>4) OPERATING COSTS</b>	<b>170,00</b>	<b>170,00</b>	<b>170,00</b>	<b>170,00</b>	<b>0,00</b>	<b>0,00</b>
<b>5) TRAINING</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>TOTAL</b>	<b>30.346.078,64</b>	<b>53.035.818,21</b>	<b>37.286.399,97</b>	<b>60.009.145,99</b>	<b>6.940.321,33</b>	<b>6.973.327,78</b>

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Abdullah KARAKUS  
Financial System Expert



Approved by

Oğuzhan BİKİTAS  
Head of Department  
District Project Coordinator



**GENERAL DIRECTORATE of STATE HYDRAULIC WORKS**  
**TURKEY IRRIGATION MODERNIZATION PROJECT 89190-TR**  
**STATEMENT OF REQUESTS FOR DISBURSEMENTS (SOE STATEMENT)**  
For the year ended on December 31, 2022  
(In EURO)

**i-Request Reimbursed**

<b>Disbursement Categories</b>								
<b>Application Date</b>	<b>Number</b>	<b>1. Goods, works, non-consulting services, and consultants' services</b>	<b>2. Front end Fee</b>	<b>Total</b>	<b>Number</b>	<b>Amount Paid</b>	<b>Date of Payment</b>	
28.01.2022	TSMP-KR-9	9.807.867,21	0,00	9.807.867,21	TSMP-KR-10	5.000.000,00	24.03.2022	
5.04.2022	TSMP-KR-11	2.222.255,04	0,00	2.222.255,04	TSMP-KR-14	2.000.000,00	24.06.2022	
11.04.2022	TSMP-KR-12	1.925.874,00	0,00	1.925.874,00	TSMP-KR-16	2.000.000,00	28.07.2022	
18.05.2022	TSMP-KR-13	988.831,85	0,00	988.831,85	TSMP-KR-17	3.000.000,00	31.08.2022	
19.07.2022	TSMP-KR-15	3.975.368,16	0,00	3.975.368,16	TSMP-KR-19	5.000.000,00	5.10.2022	
23.09.2022	TSMP-KR-18	2.639.953,52	0,00	2.639.953,52	TSMP-KR-22	3.000.000,00	16.12.2022	
29.11.2022	TSMP-KR-20	1.081.454,21	0,00	1.081.454,21	TSMP-KR-24	9.000.000,00	28.12.2022	
29.11.2022	TSMP-KR-21	4.310.518,14	0,00	4.310.518,14	-	-	-	
16.12.2022	TSMP-KR-23	2.161.960,97	0,00	2.161.960,97	-	-	-	
<b>Sub-Total</b>		<b>29.114.083,10</b>	<b>0,00</b>	<b>29.114.083,10</b>		<b>29.000.000,00</b>		

**II-Requests Pending Reimbursement**

<b>Disbursement Categories</b>								
<b>Application Date</b>	<b>Number</b>	<b>1. Goods, works, non-consulting services, and consultants' services</b>	<b>2. Front end Fee</b>	<b>Total</b>		<b>Amount Paid</b>	<b>Date of Payment</b>	
<b>Sub-Total</b>		<b>0,00</b>	<b>0,00</b>	<b>0,00</b>				
<b>TOTAL AMOUNT REQUESTED</b>		<b>29.114.083,10</b>	<b>0,00</b>	<b>29.114.083,10</b>		<b>29.000.000,00</b>		

Prepared by

Abdullah KARAKUŞ  
Financial Service Expert



Approved by

Oğuzhan BEKTAŞ  
Head of Department  
Deputy Project Coordinator



**GENERAL DIRECTORATE of STATE HYDRAULIC WORKS**  
**TURKEY IRRIGATION MODERNIZATION PROJECT 89190-TR**  
**SPECIAL ACCOUNT STATEMENT**  
**ACCOUNT NO: 940832042**  
**AT T.C. CENTRAL BANK**  
**For the year ended on December 31, 2022**  
**(In EURO)**

	Notes			
Opening Balance (01.01.2022)				4.810.260,43
Reimbursements to SA	5		28.999.830,00	28.999.830,00
a) Advance	5	0,00		
b) SOE Procedure	8	28.999.830,00		
c) Summary Sheet		0,00		
Refunds to SA		0,00	0,00	0,00
<b>Available Funds</b>	5			<b>33.810.090,43</b>
Payments Made for Expenditures	8		30.345.908,64	
Service charges for the account			0,00	
<b>Total Project Investments</b>			<b>30.345.908,64</b>	<b>30.345.908,64</b>
Closing Balance (31.12.2022)	7			3.464.181,79


Prepared by

Abdullah KARAKUŞ  
Financial Service Expert



Approved by

Oğuzhan BEKTAŞ  
Head of Department  
Deputy Project Coordinator



**MINISTRY OF AGRICULTURE AND FORESTRY**  
**GENERAL DIRECTORATE OF STATE HYDRAULIC WORKS (DSI)**  
**TURKEY IRRIGATION MODERNIZATION PROJECT**  
(Project Loan No: 89190-TR)  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
by December 31, 2022 and for the year then ended

**1. OBJECTIVES AND NATURE OF THE PROJECT**

The Loan Agreement for Turkey Irrigation Modernization Project (TIMP) was signed by International Bank for Reconstruction and Development (IBRD) on February 4, 2019 and by the Ministry of Treasury and Finance on behalf of the Republic of Turkey on February 15, 2019.

Having approved by the Presidency of the Republic of Turkey on April 16, 2019, the Loan Agreement came into force on May 30, 2019; therefore project implementations began in 2019.

**Project Duration:** 7 years. Project completion is (closure) on February 27, 2026 and financial closure is on December 31, 2026.

**Project Budget:** Republic of Turkey and IBRD signed a Financing Agreement for a loan of EUR 222.300.000,00 (approximately USD 252.000.000,00) and a grant of USD 2.000.000,00.

**Objective of the Project:** The objective of the project is to improve irrigation service delivery, through rehabilitation and modernization of distribution infrastructure in selected schemes, and through strengthening the capacity of Water User Associations (WUAs).

**Secondary objectives of the Project would include;**

- Integration of measures to improve irrigation operations, beneficiary participation, and linkages to enhance agricultural productivity,
- A systematic approach to strengthening the capacity of WUAs,
- Increasing the efficiency of water use and reducing the total water consumption,
- Increasing the incomes of the farmers engaged in low-value agriculture,
- Contribution to general economic growth in the project implementation areas.

**Project's Target Group:** Approximately 17.300 water users (of which approximately 3 percent are women) will be direct beneficiaries of the irrigation modernization investments under Component 1. Direct beneficiaries of the GEF-funded activities include farmers at the nation-wide level (covering 3,08 m ha), who will benefit from improved water management at the field-level and higher capacity of WUAs. Beneficiaries also include approximately 100 staff from DSI's regional offices and 600 staff from 378 WUAs, who will be equipped and trained in the use of the SUTEM irrigation information system, which will strengthen WUA's capacity for operation and maintenance (O&M), water conservation, financial management, governance, monitoring and evaluation (M&E), and communications.

**Implementation Area:** The Loan will finance investments to modernize DSI's irrigation systems in selected schemes. The selected set of schemes includes Atabey (Isparta), Ereğli-Ivritiz (Konya), Alasehir (Manisa), and Uzunlu (Yozgat), with combined area of approximately

50.000 hectares. The GEF grant will finance design and implementation activities for developing a national program for WUA's capacity-building for water management. The GEF grant will also support the implementation of a sustainable energy and groundwater management pilot in Bolvadin, Afyon.

#### **Main Approaches of the Project:**

- Co-deciding with locals, a participatory approach,
- Supporting collective acting rather than individuality,
- Creating awareness between stakeholders,
- Encouraging more women to participate in the labour force.

#### **The Project consists of 3 main components.**

1. Irrigation Systems Modernization (IBRD, US\$249 million): This component will finance investments to modernize DSI's irrigation systems in following schemes:
  - a) Alaşehir (Manisa), 13.650 hectares,
  - b) Atabey (Isparta), 13.834 hectares,
  - c) Ereğli-İvriz (Konya), 15.280 hectares,
  - d) Uzunlu (Yozgat), 8.000 hectares.
2. Innovation and Institutional Support (GEF, US\$2 million): This component will provide direct design and implementation support to DSI in the following areas:
  - a) Designing and Piloting a National Program for WUA Capacity-Building (Nation-wide),
  - b) Groundwater Stewardship Pilot (Bolvadin, Afyon).
3. Project Management (IBRD, US\$3 million): This component will finance the multiple activities required for coordination and management of the project; and will include, *inter alia*, measures for enhancing dam safety in the project schemes, community consultations and partnership program, communications, grievance redress mechanisms, monitoring and evaluation, and environmental and social management.

## **2. MAIN ACCOUNTING POLICIES**

### **2.1. Applied Accounting Standard and Accounting Basis**

The accounts and financial statements have been prepared in accordance with Cash Basis, Financial Reporting under the cash basis of accounting. Under that basis, a separate accounting system has been established for Turkey Irrigation Modernization Project. Project Management Team (PMT), which is currently organized within the General Directorate of State Hydraulic Works (DSI), recorded the amount withdrawn from the loan account and paid the amount to the contractor based on the cash basis. Income is recognized when funds are received and expenses are recognized when payment is made. The accounting policies have been applied consistently throughout the period.

### **2.2. Designated Accounts**

There are two separate Designated Accounts at TR Central Bank for IBRD Loan (940832042) and GEF Grant (940701054) for the amounts of credit and grant to be used under the Project.



### 2.3. Currency

Presentation currencies and accounting records are stated as Euro for IBRD Loan which are the currencies provided by the Loan Agreement between the World Bank and the Republic of Turkey.

### 2.4. Exchange Rates

Transactions made in currencies other than Euro are accounted for at the current Euro exchange rate of the transaction that is published by the Central Bank of Republic of Turkey for IBRD Loan.

### 3. FINANCIAL STATEMENTS

In accordance with the loan agreement between the Turkish Government and IBRD, the uses of funds available in the Designated Accounts are restricted to project purposes only. Project funds still unused at the end of the project will be returned to the Ministry of Treasury and Finance for distribution to providers in accordance with the provisions of the corresponding financing agreement.

### 4. IBRD LOAN

In pursuance with the financing agreement signed between the Government of Turkey and IBRD on 4 February 2019 (IBRD) – 15 February 2019 (Ministry of Treasury and Finance), IBRD committed to lend a loan equivalent to EUR 222.300.000,00 (approximately USD 252.000.000,00).

The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount. The Loan has a payment free period of five (5) years and the principal payment dates are January 15 and July 15 in each year following the payment free period.

### 5. SOURCES OF FUNDS

	(Euro)
IBRD LOAN (Advance)	0,00
IBRD LOAN (WA)	29.000.000,00
<b>TOTAL</b>	<b>29.000.000,00</b>

There is no Government contribution nor beneficiary contribution as a source of fund in Turkey Irrigation Modernization Project.

## 6. PENDING APPLICATIONS

There is no pending application in 2022.

## 7. CASH

### For IBRD Loan Account:

Cash available at January 1, 2022, expressed in Euro, included:

	Funds Available (In Euro)
Loan Account at TR Central Bank (Euro)	4.810.260,43
<b>TOTAL</b>	<b>4.810.260,43</b>

Cash available at December 31, 2022, expressed in Euro, included:

	Funds Available (In Euro)
Loan Account at TR Central Bank (Euro)	3.464.181,79
<b>TOTAL</b>	<b>3.464.181,79</b>

## 8. CASH

### For IBRD Loan Account:

During the current year of 2022, total 170 euro swift commission fees has been charged by banks as operation fees, and the difference in the withdrawn money has been caused from these operation fee.

Date of Payment	Application Number	Type of Process	Demander	Paid Amount EUR
24.06.2022	TSMP/KR-14	Swift commission fee	Swift - Rabobank	€ 10,00
28.07.2022	TSMP/KR-16	Swift commission fee	Swift - Ing Bank	€ 20,00
31.08.2022	TSMP/KR-17	Swift commission fee	Swift - Ing Bank	€ 20,00
5.10.2022	TSMP/KR-19	Swift commission fee	Swift - Deutsche Bank AG	€ 100,00
16.12.2022	TSMP/KR-22	Swift commission fee	Swift - Rabobank	€ 10,00
28.12.2022	TSMP/KR-24	Swift commission fee	Swift - Rabobank	€ 10,00

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