



Türkiye Country Strategy 2024-2029

Approved by the Board of Directors on 6 November 2024



European Bank
for Reconstruction and Development



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		AFD	French Development Agency	ILO	International Labour Organisation
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		EU	European Union	R&D	Research and Development
		EV	Electric Vehicles	RE	Renewable Energy
		FDI	Foreign Direct Investment	RSF	Risk Sharing Facility
		FI	Financial Institution	SEFF	Sustainable Energy Financing Facility
		FW	Framework	SME	Small and Medium sized Enterprise
		GBVH	Gender-based violence and harassment	SOE	State-owned Enterprise
		GCAP	Green City Action Plan	TC	Technical Cooperation
		GDP	Gross Domestic Product	TFP	Trade Facilitation Programme
		GEFF	Green Economy Financing Facility	TL	Turkish Lira
		GET	Green Economy Transition	TMT	Technology, Media, Telecom
		GHG	Greenhouse Gas	TVET	Technical and Vocational Education and Training
		HIPCA	High-Impact Partnership on Climate Action	VC	Venture Capital
		ICA	Industry, Commerce & Agribusiness	VCIP	EBRD Venture Capital Investment
		ICT	Information and Communications Technology	UNDP	United Nations Development Programme
		IEA	International Energy Agency	WiB	Women in Business
		IFC	International Financial Corporation	YiB	Youth in Business

Türkiye is committed to the political principles of Article 1 as set out in the Agreement Establishing the Bank, but their application has continued to be under strain since the previous Country Strategy was adopted. Significant concerns continue to be expressed regarding the constitutional framework adopted in 2017-2018. Relevant international bodies have also raised concerns over recent steps affecting the quality of democratic and human rights standards and their application. Nonetheless, Turkish democracy and civil society remain resilient and elections continue to act as a significant check on the state and government decision-making.

While Türkiye's GDP growth averaged 5 per cent over much of the past strategy (2019-2023), its quality and composition has slowly deteriorated, raising questions about the sustainability of the country's growth model. Over this period, the economy experienced pronounced volatility, as the Turkish lira depreciated sharply and interest rates fluctuated, including during a time of unorthodox policies (December 2021-May 2023) where inflation soared. This deterioration and uncertainty around exchange, interest and inflation rates, coupled with domestic and external instability (successive elections, the COVID-19 pandemic, the devastating 2023 earthquakes and geopolitical tensions) disrupted economic activity and negatively affected investment. Nonetheless, following the May 2023 elections and a decisive although gradually implemented shift towards more conventional policies under a new economic management team, investor confidence has improved, with Türkiye's sovereign rating upgraded for the first time since 2013. The new strategy period now presents an opportunity to address long-standing structural challenges and achieve sustainable and inclusive growth.

Private sector development in Türkiye faces a series of interconnected transition challenges. The **competitiveness** of MSMEs could be strengthened through higher productivity, improved access to finance, and better adaptation to the twin green and digital transformation. Moreover, notwithstanding improvements in e-governance, overall **governance** still needs improvement, as policymaking was notably volatile in the period between 2018 and 2023. Although Türkiye is progressing a number of green policies, **green** transition still needs to accelerate through more ambitious plans to reduce fossil fuel dependency and mitigate the impact of climate change, particularly in view of the impact of various climate initiatives. Meanwhile, certain **inclusion** challenges, including persistent gender gaps and regional inequalities further exacerbated by the earthquakes, affect the private sector's ability to reach its full potential. Türkiye's infrastructure quality is uneven across regions and is adversely affected by earthquake risks and limited disaster management and crisis preparedness, limiting Türkiye's ability to take advantage of its geographic position and **integrate** into global value chains. Finally, Türkiye's **resilient** financial sector needs to grow further to support private sector development and improve access to long-term finance, which remains among the top obstacles faced by the private sector.

Since 2009 the EBRD has invested over €20 billion to help Türkiye meet its development challenges, and will look to further step up its support, including to assist with Türkiye’s twin green and digital transformation. Going forward, the Bank will continue to couple its investments with robust policy engagement to facilitate a more competitive and productive private sector fully integrated into global value chains, strengthen corporate governance, advance climate resilience and decarbonisation initiatives, further develop human capital and equality across Türkiye’s regions, and strengthen Türkiye’s internal and external integration, including by supporting reconstruction efforts in those regions most affected by the 2023 earthquakes. In delivering on these objectives, the Bank will also look to increase its mobilisation of private finance to further support transition and development impact in line with its growing importance under the Bank’s forthcoming Strategic and Capital Framework.

With that in mind, the Bank is set to pursue the following strategic priorities in Türkiye in 2024-2029:

- *Intensify Green Economy Transition and help Türkiye realise its climate ambitions;*
- *Boost Türkiye’s human capital development and foster greater gender equality, economic and regional inclusion;*
- *Boost Türkiye’s competitiveness through increased productivity and innovation and stronger governance; and*
- *Strengthen Türkiye’s infrastructure and regional integration.*

Türkiye – EBRD Snapshot



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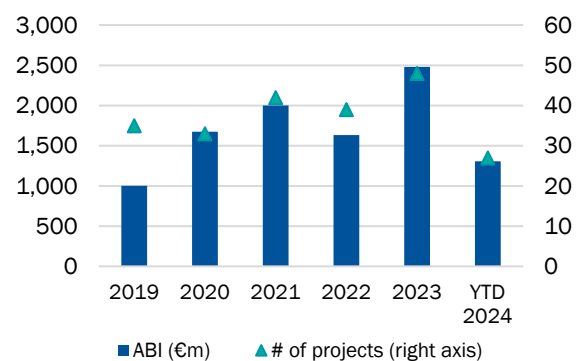
EBRD investment activities in Türkiye (as of September 2024)

Portfolio	€7,278m	Active projects	243
Equity share	13%	Operating assets	€5,545m
Private Sector Share ¹	90.2%	Net cum. investment	€20,311m

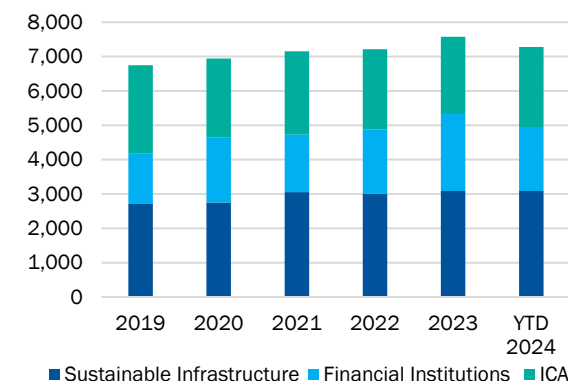
Türkiye context figures

	Türkiye	Comparators
Population (million) ³ (2023)	86.3	Hungary (9.6) Poland (36.8)
GDP per capita (PPP, USD) ³ (2023)	42,064	Hungary (43,567) Poland (46,412)
New Business Density ⁴ (New registrations per 1,000 population, 2022)	2.45	Hungary (4.32) Poland (2.16)
Unemployment (%) ⁵ (2023)	9.6	Hungary (4.1) Poland (2.8)
Youth unemployment (%) ⁵ (2023)	17.9	Hungary (12.7) Poland (11.5)
Female labour force participation (%) ⁵ (2023)	35.3	Hungary (54.0) Poland (51.6)
Energy intensity TES/GDP (MJ/2017 US\$ PPP) ⁶ (2021)	2.5	Hungary (3.5) Poland (3.5)
Emission intensity/GDP (kgCO ₂ /2015 US\$ PPP) ⁶ (2022)	0.13	Hungary (0.12) Poland (0.21)

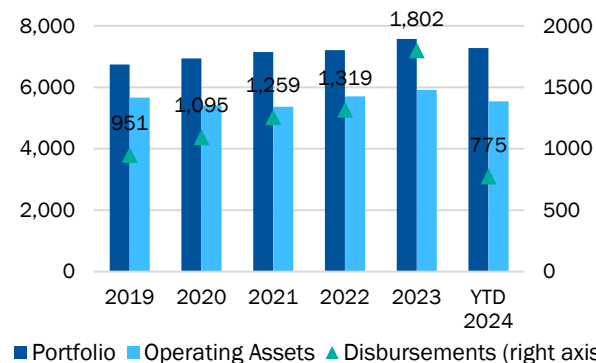
ABI and operations



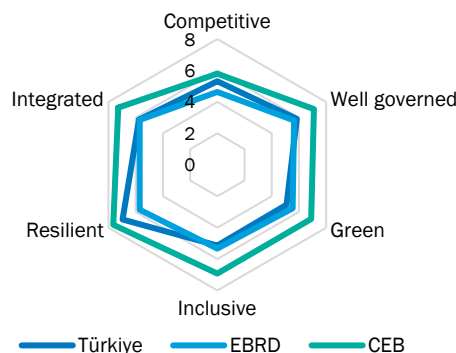
Portfolio composition (€m)



Portfolio dynamics (€m)



Transition Gaps²



1 Cumulative Bank Investment: 5 year rolling basis on portfolio; 2 Cf. EBRD Transition Report 2023-2024; 3 IMF WEO; 4 WB Entrepreneurship Survey and database; 5 ILO; 6 IEA

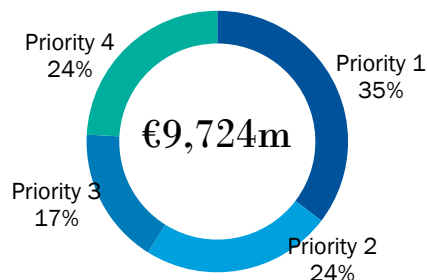


1. Implementation of Previous Strategy (2019-2023)

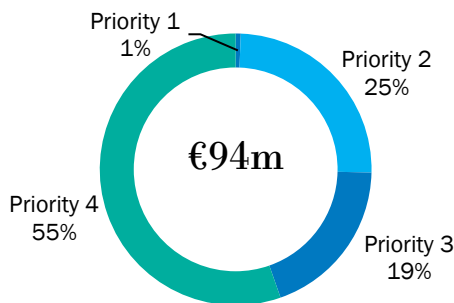
1.1. Key Transition Results Achieved during Previous Strategy (1/3)

Strategic alignment 2019-2023

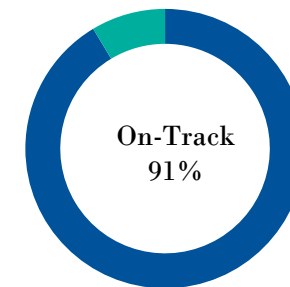
Annual Business Investment (ABI)¹



Technical assistance and investment grants



Transition impact performance²



Priority 1

Strengthen Resilience of the Financial Sector and Develop Domestic Capital and Financial Markets

Key quantitative results

Results indicators	2019-2023
Vol. of MSME subloans disbursed	€303m
N. of MSME subloans disbursed	8299
N. of new financial instruments or products introduced or expanded	10
Volume of new capital market transaction facilitated	€113.5m

Key transition results

- Improved access to finance by extending credit lines worth €1.93bn to 16 local FIs for on-lending to corporates, SMEs and MSMEs, as well as small municipalities impacted by COVID-19. Provided trade facilitation support for a total of €2.2bn via 12 financial institutions and concluded 20 transactions under the RSF, enhancing EBRD's reach to SMEs.
- Provided technical assistance to the Capital Markets Board (CMB) to (i) support amendment of the Capital Markets Law to strengthen bondholders' rights; and (ii) assist the design of secondary legislation regulating equity-based crowdfunding activities and best practices for debt-based crowdfunding.
- Increased resilience of the local money market by supporting development of the Turkish Lira Overnight Reference Rate (TLREF) as a reliable benchmark and creation of an Overnight Indexed Swap based on TLREF.
- Supported banking sector resilience amid high economic volatility, including via 9 transactions using the Diversified Payment Rights (DPR) securitisation programme, thereby increasing partner banks' access to longer-term external financing, and a €2.8m co-investment with IFC to increase the capital of local bank Fibabanka.
- Supported development of Fintech through multiple equity investments, including: €13.4m in a leading digital payment system provider, €12.6m in a non-bank payment services provider and e-money company, and US\$ 5m financing for the acquisition of a local fintech firm by a foreign mobile payment provider.
- Improved liquidity of the NPL market by supporting Dunya Varlik Yonetim AS, an NPL and distressed asset management company, in its acquisition of new NPL portfolios (€9m) under the NPL Resolution Framework.

1. The chart includes investments signed from 24 July 2019, date of approval of the previous Country strategy, until 30 September 2024.

2. Transition impact performance reflects how likely projects are to achieve the transition impact expected of them at signing. Calculated based on active mature (> 2 years) portfolio

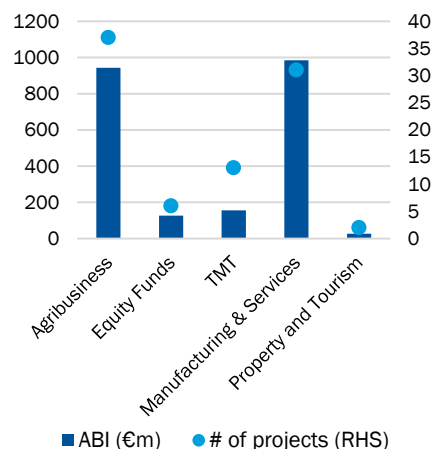


1. Implementation of Previous Strategy (2019-2023)

1.1. Key Transition Results Achieved during Previous Strategy (2/3)

Priority 2 Foster Türkiye's Knowledge Economy and Higher Value-Added Activities, and Promote Good Governance

Key quantitative results



Key transition results

- Developed more sustainable, integrated and resilient supply chains through introduction of the Supply Chain Advisory programme and the Supply Chain Solutions Framework, including a €25m funded risk participation to support local suppliers to a large foreign technology and services provider.
- Supported innovation and digitalisation of the private sector through investments (participation in 3 equity funds targeting early-stage technology companies) and advisory (roll out of the Digital Barometer Tool to help SMEs create digital strategy roadmaps and launch of Star Venture programme), supporting 13 high potential start-ups with bespoke advisory.
- Supported expansion of EV market in Türkiye through €229m direct financing to an automotive company, along with an additional €475m mobilised, to establish the first integrated production centre for the assembly of EVs in Türkiye.
- Enhanced trade infrastructure by investing €191m to increase the capacity of 5 Turkish ports and €55m to support digitalisation of systems at two logistics companies.
- Supported the expansion of public transport infrastructure, including (i) €432m to develop and expand 5 metro lines in Istanbul, Izmir and Ankara; (ii) €150m to construct a high-speed railway line connecting Ispartakule and Cerkezkoy; and €72.5m to procure up to 354 CNG buses and install a CNG filling station in Ankara and Mersin.
- Promoted the use of PPPs, including a €9.5m investment to develop a solid waste management system in Canakkale, and €75m to a hospital facility management company to strengthen its hospital infrastructure.

Priority 3 Promote Economic Inclusion & Gender Equality Through Private Sector Engagement

Key quantitative results

Results indicators 2019-2023

N. of WiB subloans disbursed	1972
N. of women-led businesses accessing advisory services	185

Key transition results

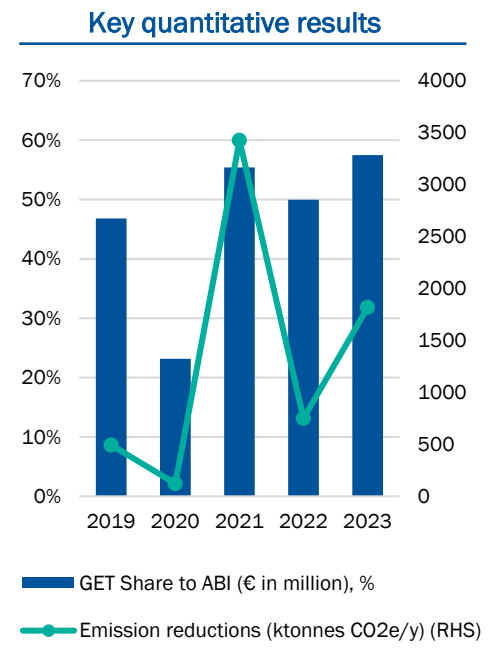
- Scaled up partnerships with clients and the authorities to enhance access to market-relevant skills and employment opportunities for young people and women, including through 14 training programmes which improved skills for nearly 1300 people.
- Strengthened female entrepreneurship and women-led SMEs' access to finance, with 185 women-led businesses accessing advisory services and nearly 2000 sub-loans disbursed under the WiB programme (totalling €426m in financing).
- Supported greater female participation in the labour force by working with the Turkish Union of Municipalities, ILO and private sector clients to strengthen HR policies, improve regulatory frameworks for the care economy and promote private sector and municipal support for childcare facilities.
- As part of a multi-year €1.5bn financial package in response to the devastating earthquakes that hit Türkiye's south-eastern provinces in February 2023, provided €400m in emergency financing via FIs and more than €400m in loans to companies operating in the affected region. Also launched a Reconstruction Assistance and Grant Programme in support of SMEs.
- Initiated 2 projects under the Refugee Response Programme to (i) address social and environmental challenges in access to skills, education and training for young people and (ii) promote integration of talented and qualified young refugees into the Turkish economy, in cooperation with business leaders and host communities.



1. Implementation of Previous Strategy (2019-2023)

1.1. Key Transition Results Achieved during Previous Strategy (3/3)

Priority 4 Accelerate Türkiye's Green Economy Transition and Regional Energy Connectivity



- Key transition results**
- Supported scale up of renewable energy capacity, with 1,493MW of RE capacity installed in 2019-2023. Provided €10m to Gaziantep Municipality for the construction of a solar photovoltaic plant, as well as €93m to Adnan PolatEnerji, €42m to Galata Wind Enerji, €30m to Borusan Enerjii and €35m to BorusanENBW Enerji to increase wind and solar capacity, all projects with no or negligible local content premia.
 - Provided technical assistance to assess and mitigate the impact of CBAM on the Turkish economy and develop decarbonisation plans in energy-intensive industries. Activities included assistance to the authorities to (i) assess impact of CBAM on Turkish exporters; (ii) develop LCPs in hard-to-abate sectors (steel, aluminium, cement and fertiliser) in close collaboration with Ministry of Industry and Technology; and (iii) launch the Maritime Decarbonisation and Green Shipping Programme. Provided capacity building training to 105 SMEs to increase their preparedness for the EU Green Deal.
 - Extended TurSEFF and GEF credit lines via 11 partner institutions, providing €649m to support green economy investments boosting energy and resource efficiency and climate resilience measures in the private sector.
 - Supported the first green bond issuance of QNB Finansbank and EBRD's first investment in a green bond issued by a Turkish bank (€44m), with proceeds supporting development of internationally certified green building projects.
 - Launched Green City Action Plans (GCAPs) in 5 municipalities, with Istanbul joining the programme in 2021, aimed at fostering investments to support green and sustainable solutions and advance cities' decarbonisation efforts, including investments in metro lines to promote greener public transportation.
 - Supported upgrade and expansion of electricity distribution networks with more than €500m in financing to electric power distribution companies, including €91m in co-financing to modernise and reconstruct the electricity network in the Toroslar Region, which was affected by the 2023 earthquakes.
 - Contributed to more sustainable and energy efficient water resources, including €70m to the Municipality of Bursa for the construction of a water transmission line and a drinking water treatment plant.



1. Implementation of Previous Strategy (2019-2023)

1.2. Challenges to Implementation and Key Lessons

Context for implementation

Over the previous strategy, the operating environment in Türkiye was characterised by pronounced volatility, as the lira sharply depreciated, interest rates fluctuated and inflation spiralled during a period of post-pandemic supply chain disruptions, rising energy prices and unorthodox economic policies. Although growth proved resilient, the resulting uncertainty, coupled with domestic and external instability, negatively affected private investment and hindered structural reforms. However, following May 2023 elections and a recent shift towards more conventional policies, there is a window of opportunity to address long-standing and interconnected transition challenges. Despite a vibrant and resilient private sector, competitiveness is still hindered by low productivity, and MSMEs have struggled to access finance and adapt to the twin green and digital transformation. Governance challenges also increased, as policymaking was volatile between 2018 and 2023, weighing on the business environment. Although Türkiye is progressing a number of green policies and its renewable energy sector has significantly expanded (with installed capacity of the energy generation sector exceeding 100GW as of end-2023), implementation of the Paris agreement and compliance with some European Green Deal measures will entail rapidly decarbonising industry and transport to retain global competitiveness. Inclusion challenges, including persistent gender gaps and regional inequalities further exacerbated by the 2023 earthquakes, also hold back the private sector from reaching its full potential. Finally, infrastructure quality is uneven across regions and is adversely affected by earthquake risks, limiting Türkiye's ability to take advantage of its geographic position and fully integrate into global value chains. With more than €20 billion invested since 2009, the EBRD is well placed to help Türkiye address these challenges, allowing it to boost productivity, accelerate green and digital transition and achieve balanced, sustainable and inclusive growth.

Implementation challenges

- Volatile macroeconomic environment, policy unpredictability and short-termism limited structural reforms and encouraged shift to working capital; impeding the deepening of capital markets at the desired level
- Pressures on donor funding and concessional finance affecting a number of flagship EBRD products, including FI and SME support, as well as reconstruction activities in the earthquake-affected regions
- Limited institutional capacity hinders timely implementation of PPPs
- Local content policies in renewable energy have limited the Bank's ability to support private investments given their potential market distortive effects
- Despite increasing pressure to decarbonise energy-intensive industries in light of the Paris agreement and forthcoming European Green Deal measures, late adoption of climate policies and difficulties in aligning government bodies led to a longer implementation timeline and created some uncertainty
- TMT infrastructure dominated by the state and limited digital transformation at the SME level
- Limited traction in improving corporate and economic governance

Key lessons & way forward

- Return to orthodoxy may increase investor appetite, enable more diversified financial instruments and longer tenor TL finance and allow EBRD to deploy a more strategic approach in the FI sector, e.g., green transition planning for PFIs
- Leverage existing resources (e.g., Turkey Donor Fund) to enhance SME products and deploy innovative frameworks to increase reach (e.g., supply chain finance) while looking to expand donor base and further mobilise private finance
- Look to replicate successful PPPs in other sectors and advocate for establishment of a central unit to support project preparation and implementation
- Continue to advocate for alternative ways to stimulate local manufacturing in the energy sector, and further market liberalisation to stimulate foreign investment in the transmission and grid upgrade
- Mobilise private capital for green investments and seize on Türkiye's new momentum in green policies to advance low carbon pathways; look to support renewable energy for self-consumption and leverage earthquake reconstruction to advance green transition, especially green infrastructure and green buildings
- Consider selective engagement with SOEs to advance digital transformation and look to develop innovative digital platforms (e.g., DTFF, supply chain fintech)
- Advocate for greater SOE transparency and targeted corporate governance improvements (e.g. climate reporting); look for further ways to improve the business environment



2. Economic Context

2.1. Macroeconomic Context and Outlook for Strategy Period

Türkiye – Main Macroeconomic Indicators

	2020	2021	2022	2023
GDP growth (% y-o-y)	1.9	11.4	5.5	5.1
CPI inflation (% avg.)	12.3	19.6	72.3	53.9
Government balance (% of GDP)	-4.7	-3.0	-1.1	-5.2
General government gross debt (% of GDP)	39.4	40.4	30.8	28.9
Current account balance (% of GDP)	-4.3	-0.8	-5.1	-4.0
Net FDI (% of GDP)	0.6	0.8	1.0	0.4
External debt (% of GDP)	59.8	54.0	50.6	44.7
Gross reserves (% of GDP)	13.1	13.8	14.2	12.6
Unemployment rate (%)	13.1	12.0	10.4	9.4
Nominal GDP (\$bn)	717	808	906	1,130

Source: IMF WEO April 2024 and national authorities

The economy continued to grow steadily in 2023. The authorities enacted a series of stimulus measures in H1 2023 ahead of the twin presidential and parliamentary elections, including hiking wages and pensions, introducing an early retirement scheme, and government-backed guarantees and lending targets for banks, which spurred a credit boom, and sustained consumption. As a result, growth was higher than expected, at 5.1 per cent, driven mainly by services and construction, following the February 2023 earthquakes.

Monetary and fiscal policies returned to orthodoxy following the May 2023 elections and have tightened markedly, but inflation remains high. The CBRT hiked policy rates 9 times from 8.5 to 50 per cent, introduced targets for converting FX-protected deposit accounts (KKM) to regular Turkish lira deposits, started selective credit tightening measures and gradually removed most of the macroprudential measures. Fiscal policies were also tightened, with the VAT rate increasing from 18 to 20 per cent, hikes in taxes on fuels and cost-cutting measures enacted in the public sector. However, inflation remained high, averaging 53.9 per cent in 2023 and 65.9 per cent in the first 8 months of 2024, which was higher than expected, prompting the CBRT to raise the end-year inflation forecast from 36 to 38 per cent. Annual inflation peaked in May 2024 at 75.4 per cent and has been declining since.

The return to orthodoxy have helped improve investor confidence. Türkiye's CDS premium declined significantly since its peak in May 2023 (of over 700 basis points) to below 300 basis points, external Eurobond issuances were oversubscribed, portfolio flows turned into a net inflow, and Türkiye's sovereign rating was upgraded for the first time in 12 years with Fitch raising it twice, to B+ (in March) and then BB- (in September), S&P to B+ (in May) and Moody's to B1 (in July).

The fiscal deficit deteriorated in 2023, but the current account deficit improved. The budget deficit widened mainly because of earthquake-related spending. Meanwhile, the current account deficit narrowed, driven by stronger exports of services (record tourism) and lower imports of goods. Meanwhile, by August 2024, reserves increased sharply to US\$ 150 billion (from a low of US\$ 97 billion in May 2023). Notably, net reserves (excluding swaps) turned positive for the first time since March 2020, reflecting a real improvement in the composition and quality of reserves.

In 2024, growth is expected to slow down to 2.7 per cent, as the tightening fiscal and monetary stance cools down the economy. The authorities will continue to face the difficult task of balancing growth and macroeconomic stability.



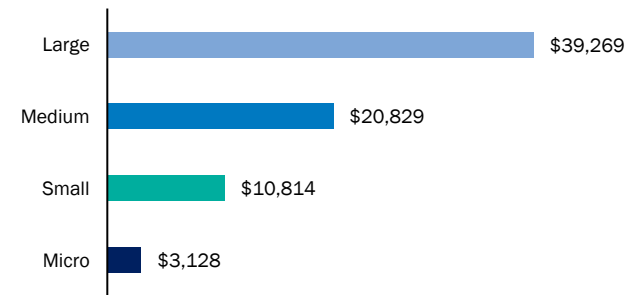
2. Economic Context

2.2 Key Transition Challenges (I/II)

Competitive (5.32)

- **MSMEs need to adapt and transform to remain competitive.** MSMEs need to increase their value-added per employee, enhance their export capabilities, adopt more efficient and modern business practices, and comply with regulatory changes, such as green regulations.
- **Digital transformation is at an early stage in most MSMEs,** as difficulties in accessing finance and workforce technical skills have limited firms' ability to progress with digital adoption.
- The advancement and diversification of export products requires **further investment in R&D.**
- **Manufacturing employment** exceeds the EU average but the high-tech manufacturing share lags peers.
- **There are some regional economic disparities,** including in the southeast, and further investment could help diversify production, expand limited infrastructure and reduce dependence on primary sectors such as agriculture.

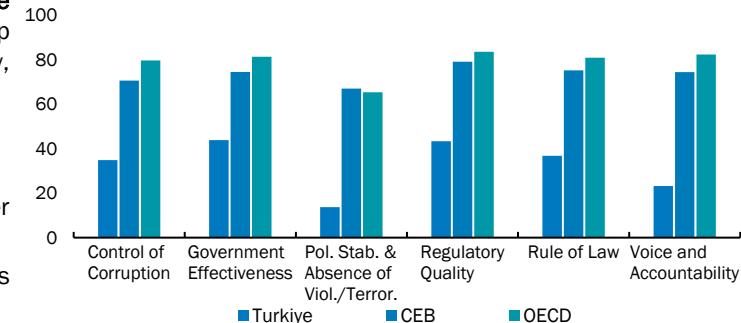
Value Added at Factor Cost per Employee by Firm Size (2022)



Well-governed (5.84)

- **Türkiye's ranking on various established cross-country surveys of perceptions of governance and corruption has decreased in recent years.** Surveys point to an existing large gap compared to OECD countries in terms of control of corruption, rule of law, regulatory quality, voice and accountability, and political stability.
- Increased private sector investment will require stronger **rule of law and control of corruption.**
- Institutional shortcomings have **slowed progress toward greater economic freedom.**
- There is a need to move to **data-driven governance structures** and enhance stakeholder coordination to establish robust data infrastructure and practices.
- The regulatory and institutional framework supporting good **corporate governance** is relatively advanced.

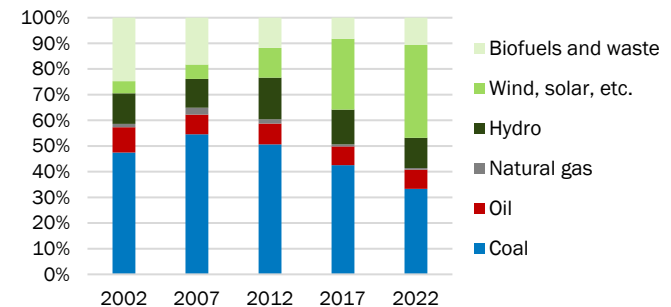
Worldwide Governance Indicators, 2022 (percentile rank)



Green (5.09)

- **Stronger decarbonisation of the energy sector could accelerate renewable energy development and green hydrogen.** There is a need for a clearly defined investment strategy for the electricity transmission network with targets for smart grids and capacity increases, and for a coal phase out plan.
- **Implementation of the Paris agreement and compliance with some European Green Deal measures** will require widespread changes in the energy-intensive industrial sector and development of carbon markets.
- Türkiye can capitalise on its ample **critical mineral resources,** which are crucial for storage, battery, and renewable energy technologies.
- Developing efficient models for **waste** separation at source, waste management and recycling of municipal waste is crucial.
- Ongoing initiatives to support climate **adaptation actions** and raise public awareness at the society level should accelerate, including through private sector activities.

Domestic energy production





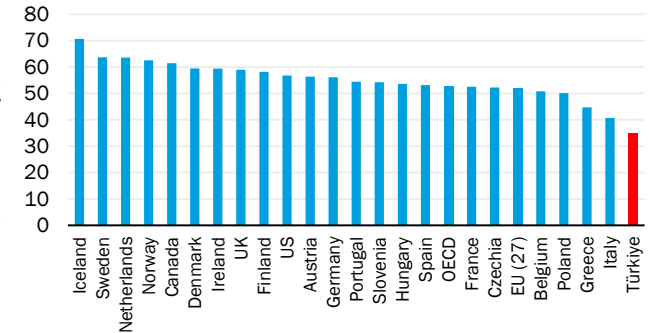
2. Economic Context

2.2 Key Transition Challenges (II/II)

Inclusive (5.14)

- **Female labour force participation needs to increase further** to support growth. Bringing more women into the labour market also requires addressing women’s unpaid care burden.
- **Women’s financial inclusion** is very low and incommensurate with Türkiye’s level of development.
- **Youth unemployment (17.9%) and the share of youth not in education, employment, or training (22.4%)** are persistently among the highest in OECD countries. Additionally, **brain drain** is rising, predominantly among those aged 25 to 29.
- Workforce integration of **refugees** remains challenging, especially in earthquake-affected areas.
- **People with disabilities** face specific barriers to labour market inclusion and suffer from a lack of accessible workplaces and limited employer knowledge how to effectively integrate them.
- Narrowing **regional disparities** in access to finance and services could lift economic opportunities.
- Improvements in the education and training system could reduce significant **skills mismatches**.

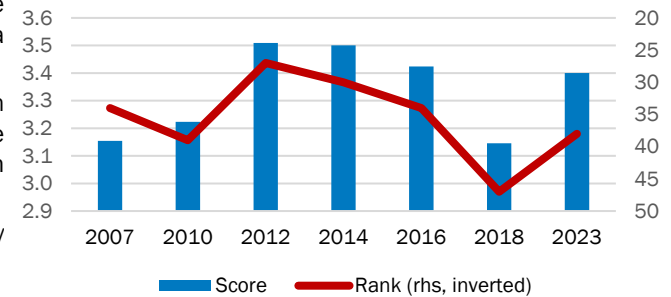
Female Labour Force Participation Rate (2022, %)



Integrated (5.75)

- **To leverage its advantageous geographic position, Türkiye needs to develop both the east-west and north-south connections.** A key priority is to link and align the Turkish railway network to the European network effectively, and solve current challenges, including in the Marmara Sea crossing, to ensure smooth east-west connections, e.g., the Middle Corridor.
- **Türkiye’s logistics sector** could be heavily affected by changing market dynamics around the twin green and digital transformation given its position in global value chains. In the last decade, the sector grew significantly but now faces stagnated performance and challenges in complying with European Green Deal regulatory requirements.
- Greater investment in **e-mobility and public transport electrification**, coupled with policy roadmaps and fuel switching strategies, is needed for the transport sector's green transition.
- Access to and the speed of **broadband internet** has progressed but still lags Türkiye’s peers.

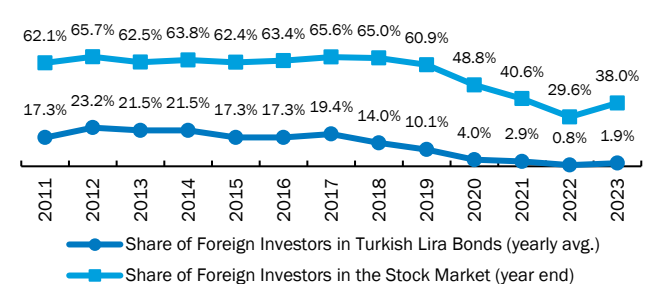
Logistics Performance Index



Resilient (6.96)

- **Access to long-term financing in local currency** is essential for the private sector, notably for MSMEs, and for the twin green and digital transformation.
- Sustained implementation of conventional policies will be essential to restore investor confidence. Unorthodox economic policies in the past have deterred foreign investment. **Decreased foreign investments in Turkish bonds and shares** increased reliance on short-term syndicated loans.
- **The bank-centric financial system and not sufficiently deep and liquid capital markets** impede the development of a more inclusive and diversified financial system.
- The **twin transformation** requires significant development of institutional capacity and financing to the real economy.

Share of Foreign Investors in Bond and Stock Market (% , portfolio value)





3. Government Priorities and Stakeholder Engagement

3.1 Government Reform Priorities

Türkiye's 12th Development Plan for 2024-2028 sets out an ambitious policy framework to achieve stable growth, accelerate green and digital transformation, promote a skilled workforce, enhance disaster resilience, and strengthen the environment and good governance. The Plan aims to:

- Increase GDP from €1 trillion in 2023 to €1.4 trillion in 2028 and GDP per capita from €11,509 in 2023 to €14,851 in 2028, with a projected annual growth rate of 5%;
- Increase the manufacturing and services sectors as a percentage of GDP, with the contribution of high-technology industries to manufacturing exports expected to grow from 3.8 per cent in 2023 to 5.5 per cent in 2028;
- Ramp up investments and implementation of critical policy reforms focusing on the twin green and digital transformations across the economy, with a sector-specific approach to enhance productivity in key sectors (including chemicals, pharmaceuticals and medical devices, electronics, machinery, electrical equipment, automotives, and rail system vehicles) and foster export-oriented, technology-intensive, and high-value-added production;
- Design and deliver digitally-integrated government services and standardise municipal services through the e-Government Gateway;
- Enhance disaster resilience, particularly in earthquake-prone areas, through urban transformation and widespread dissemination of healthier and safer living practices;
- Promote sustainable cities, in line with 2020-2023 National Smart Cities Strategy and Action Plan;
- Strengthen the rule of law, democracy, and good governance, and increase civil society engagement in decision-making processes for a more transparent and efficient delivery of citizen-centred public services; and
- Promote inclusive growth, enhancing human capital development and increasing welfare.

3.2 EBRD Reform Areas Broadly Agreed with Authorities

- Intensify investments to advance the twin digital and green transition and help address the impact of carbon pricing schemes and the EU Green Deal on the industrial and logistics sectors.
- Support human capital development and increase female labour force participation through a targeted approach to enhance digital and green skills, including upskilling and reskilling.
- Scale up support for private sector-driven innovation, including initiatives to harness R&D capacities, and targeted financing for early-stage technology start-ups through VC funding.
- Improve regional and domestic connectivity, supporting railway development in alignment with Türkiye's Transport and Logistics Plan.
- Support earthquake recovery, enhancing resilience and natural disaster preparedness and improving climate risk management.

3.3 Key Messages from Civil Society to EBRD

While CSOs broadly endorsed the proposed priorities, they also:

- noted **shrinking civic space** and backsliding in the areas of **peace, justice, and human rights**, particularly towards underrepresented communities;
- argued for stronger **climate ambitions**, focusing on renewable energy, climate resilience and disaster risk reduction, and alignment of business practices with principles of sustainability and community engagement;
- highlighted that adequate planning for **fossil fuel phase-out**, along with enhanced **transparency and public participation**, especially in coal-mining regions, is needed for good governance in green transition;
- requested that EBRD promote **human capital in the green and digital sectors and earthquake regions** through gender loans, supporting skills development and entrepreneurship of underrepresented groups, including women, refugees, and people with disabilities; and
- emphasised the importance of long-term support for SMEs, sustainable value chains, enhanced local partnerships, improved working conditions and collaboration among CSOs, the public, and the private sectors to **strengthen overall competitiveness**.



4. Defining Türkiye Country Strategy Priorities

What needs to change? (Country Diagnostic)	Can it be changed? (Political Economy)	What can the Bank do? (Institutional Capabilities)	Strategic Priorities (2024-2029)	What We Want to see in 2029
<ul style="list-style-type: none"> Vulnerable to various impacts of climate change Abundant wind/solar resources but RE regulations need to be strengthened (including removal of local content requirements) and coal phased out Transmission network needs to be upgraded Energy efficiency needs to be accelerated Further support for decarbonisation required, including more ambitious NDC More sustainable practices needed for water/waste management and to reduce air pollution Enhancement of long-term climate strategies, including sectoral and for adaptation, needed 	<ul style="list-style-type: none"> Strong commitment to renewable energy, with RE installed capacity >50% in 2022 and ambition to add 60GW RE capacity by 2035 Ambitions to become a regional energy hub Numerous green policies in development: Net Zero target for 2053, Hydrogen Technologies Strategy and Roadmap, Energy Efficiency Strategy and Action Plan and draft Climate and Water Laws Earthquake reconstruction will provide green opportunities, especially in infra and buildings Plans to develop carbon markets advancing Emergent carbon pricing (e.g., EU-CBAM) will impact energy-intensive industries 	<ul style="list-style-type: none"> Experience advancing renewable energy projects and supportive regulatory frameworks EBRD can facilitate green investments, incl. to improve energy efficiency, decarbonise industry and promote circular economy Strong track record supporting climate resilience, decarbonisation and LCPs Experience developing sustainable infra via dedicated GET frameworks (e.g., Green Cities) and using PPP models where applicable Ability to mobilise private capital for and scale up green finance through local PFIs Support for corporate climate governance 	<p><i>Intensify Green Economy Transition and help Türkiye realise its climate ambitions</i></p>	<ul style="list-style-type: none"> Increased renewable energy integration Increased energy and resource efficiency and decarbonisation Increased sustainability of municipal services Increased climate resilience and adaptation
<ul style="list-style-type: none"> Human capital and labour structure lags OECD peers, and Türkiye's own potential and targets Skill mismatches, informality and brain drain One quarter of Türkiye's youth are NEET Serious gender gaps, including low female labour force participation and pay gap, persist MSMEs struggle to access skills and know-how Developmental disparities across regions affect access to services, skills and finance 	<ul style="list-style-type: none"> 12th Development Plan aims to address skills mismatches, upskill youth and increase female labour force participation Government initiatives to increase gender responsive budgeting and support care economy Türkiye hosting an estimated 3.2m Syrians under temporary protection, making absorption and workforce integration difficult Earthquake widened regional disparities 	<ul style="list-style-type: none"> EBRD can support TVET reform and increase access to skills and jobs EBRD investments can promote inclusive financial systems through tailored support for PFIs and underserved MSME segments EBRD can promote greater female labour force participation and economic opportunities Ability to leverage investment and advisory portfolio in underserved regions 	<p><i>Boost Türkiye's human capital development and foster greater gender equality, economic and regional inclusion</i></p>	<ul style="list-style-type: none"> Increased access to skills development Increased gender equality and inclusive economic participation Reduced regional disparities
<ul style="list-style-type: none"> Significant productivity and competitiveness gap between large firms and MSMEs, limited GVC integration and investment in innovation SMEs lack green and digital awareness/capacity Financial sector dominated by the banking sector Long-term financing in TL remains limited Limited transparency and high centralisation pose governance challenges Corporate governance FWs in place but further implementation needed (including on climate) 	<ul style="list-style-type: none"> Vibrant and resilient private sector 12th Development Plan focus on green/digital transformation and export-oriented growth Long-term relationship with EU remains a structural reform catalyst Strong capital markets expansion in recent years and untapped NBFI potential E-government and digital transformation initiatives can also strengthen governance Better governance can attract FDI; Government studying options to increase SOE transparency 	<ul style="list-style-type: none"> Effective instruments to help corporates/SMEs grow (e.g., supply chain finance, export support, innovation, digital transformation, cyber security) Specialised expertise to develop capital markets and expand product range, incl. in local currency Ability to mobilise private finance, e.g., via securitisation, portfolio risk sharing (PRS) Strong track record in improving corporate governance, incl. SOEs and municipal entities Policy support for the business environment Holistic approach to digital transition 	<p><i>Boost Türkiye's competitiveness through increased productivity and innovation and stronger governance</i></p>	<ul style="list-style-type: none"> A more expansive, innovative and competitive private sector Deepened financial and capital markets Strengthened corporate governance
<ul style="list-style-type: none"> Infrastructure quality uneven across regions Industrial zones and ports require greater logistical integration and connectivity Post-earthquake reconstruction efforts need acceleration, and earthquake-vulnerable regions need expedited preparedness Crisis and risk management practices need to be developed and lack of private insurance for natural disasters 	<ul style="list-style-type: none"> Advantageous geographic position for trade Middle Corridor and opportunities to capitalise on Türkiye's potential as transit and logistics hub (e.g., EU Global Gateway, G20 Partnership for Global Infrastructure and Investment (PGII)) Improving digital infrastructure and accessibility can help regional integration Medium-Term Programme, 12th Development Plan show importance of disaster management 	<ul style="list-style-type: none"> EBRD can finance select transport projects to enhance trade and connectivity Expertise in improving logistics EBRD can support enhanced digital infrastructure and connectivity Along with other IFIs and donors, EBRD can support critical services and businesses impacted by natural disasters 	<p><i>Strengthen Türkiye's infrastructure and regional integration</i></p>	<ul style="list-style-type: none"> Improved connectivity of transport networks and trade infrastructure Improved quality of digital infra & services Enhanced resilience from natural disasters

5. Activities and Results Framework (1/4)



Priority 1: Intensify Green Economy Transition and help Türkiye realise its climate ambitions

Key Objectives	Activities	Tracking Indicators
Increased renewable energy integration	<ul style="list-style-type: none"> Provide direct and intermediated financing for renewable energy projects (primarily solar and wind), coupled with advisory support to strengthen the regulatory framework and remove investment barriers Help increase grid and storage capacity to better integrate renewable energy and upgrade transmission and distribution networks, alongside efforts to strengthen interconnections with the wider region Explore opportunities to support new green technologies, such as next generation biofuels (including SAF) for domestic use and export via green corridors; carbon capture, utilisation and storage; other metals and specialty minerals crucial to renewable energy integration and green transition, e.g., e-mobility; and re-vamping of existing hydro and pumped storage 	<ul style="list-style-type: none"> Renewable energy capacity installed (MW)
Increased energy and resource efficiency and decarbonisation	<ul style="list-style-type: none"> Reduce the emissions intensity of the economy by promoting green industrial transformation, coal phase out and implementation of low carbon and climate resilient pathways across sectors Support green investments to increase energy and resource efficiency and reduce GHG emissions in commercial, municipal, residential and tourism infrastructure (including buildings, Organised Industrial Zones, social and municipal infrastructure), both directly and through other financing solutions (e.g., Energy Performance Contracts/ESCOs and other PPPs) Support increased renewable energy generation for self-consumption, waste heat recovery and heat pumps, and promote increased use of alternative sustainable fuels, raw materials and processes (e.g., electrification, including EV charging networks, green hydrogen) in the industrial and transport (including maritime, aviation and logistics) sectors Scale up green financing (e.g., green bonds, sustainability-linked bonds, GEFs, supply chain financing, equity and quasi-equity financial products) both directly and via PFIs, and explore sustainable agriculture and tourism financing Support climate policies and legislation, e.g., pilot ETS, voluntary carbon markets, RES certificates and green taxonomy 	<ul style="list-style-type: none"> Total CO2e reduced (tons/y) Total primary energy saved (GJ/y) Number/volume of EE/RE loans extended by PFIs supported by EBRD
Increased sustainability of municipal services	<ul style="list-style-type: none"> Support further upgrading, decarbonisation and adaptation of sustainable and inclusive municipal and environmental infrastructure and services (including water, wastewater, district heating and cooling and urban transport), including by increasing operational and financial efficiency through commercialisation and corporatisation, where possible through PPPs Scale up other environmental and climate initiatives under the Green Cities Framework and Earthquake Response Promote separation at source and efficient municipal waste collection and further development of the circular economy and waste sector through new technologies and policies, including recycling of solid waste (paper, metals, plastics and mining waste), e-waste, waste-to-energy and other industrial symbiosis applications 	<ul style="list-style-type: none"> Total solid waste reduced, recovered or recycled (tons/y) Total wastewater treated (m3/y)
Increased climate resilience and adaptation	<ul style="list-style-type: none"> Explore opportunities to finance water infrastructure promoting greater conservation, reduced use and rational irrigation Support greater climate resilience and adaptation, including through nature-based solutions and restoration, enhancing water and critical materials efficiency and adopting sustainability standards across material value chains Promote climate resilient investments and practices across sectors, including enhanced climate corporate governance and disclosure, and support efforts to anticipate carbon pricing schemes (e.g., EU-CBAM) Look to support climate resilient infrastructure and assets (e.g., to protect from earthquakes, floods or extreme heat), with a focus on the most vulnerable sectors (e.g., water-intensive sectors, agribusiness and water/wastewater infrastructure) and help the financial sector better integrate climate risk (e.g., through disaster insurance) 	<ul style="list-style-type: none"> Number of clients adopting low carbon solutions



5. Activities and Results Framework (2/4)



Priority 2: Boost Türkiye’s human capital development and foster greater gender equality, economic and regional inclusion

Key Objectives	Activities	Tracking Indicators
<p>Increased access to skills development</p>	<ul style="list-style-type: none"> Strengthen human capital development in line with the green and digital transformation by improving market-oriented skills development and, together with corporate and SME clients, support private-sector led reviews of TVET curricula Scale up skills-enhancing solutions for all labour market segments (e.g., women, youth, elderly, disabled and refugees) and look to support their integration into the workforce Support policy reforms addressing skills gaps and mismatches, including by setting up collaborative public-private structures and related initiatives, which aim to develop green and digital skills for the future of work, tackle brain drain in partnership with local stakeholders and create a better qualified and inclusive workforce Prepare to engage key industrial sectors on Just Transition through investments coupled with reskilling and redeployment initiatives for affected workers 	<ul style="list-style-type: none"> Number of people receiving new/improved skills (incl. green/digital) as a result of training (m/f)
<p>Increased gender equality and inclusive economic participation</p>	<ul style="list-style-type: none"> Continue to support improved access to finance for underserved MSME segments, including women, youth and rural businesses, via dedicated programmes (e.g., WiB, YiB) providing credit lines, capacity building and advisory Explore opportunities to promote inclusive and gender-responsive financial systems, including through policy initiatives to improve the availability of sex-disaggregated data at the national level, and investments in innovative firms delivering inclusive products and services, leveraging alternative scoring mechanisms and fintech Provide specialised advisory and start-up support to MSMEs (e.g., to increase formalisation, financial literacy and digitalisation), including in underserved regions Strengthen measures increasing women’s labour force participation and empowerment, particularly in male-dominated sectors such as energy, infrastructure and manufacturing through equal opportunity policies, leadership initiatives to increase board representation and removal of legal barriers to employment Look to enhance gender-lens climate finance, female leadership in climate action and gender-aware green infrastructure design and service provision Enhance gender-responsive infrastructure and public transport planning along with safety measures to combat gender-based violence and harassment (GBVH), develop anti-harassment policies in the workplace and ensure universal design considerations for all, especially the elderly and people with disabilities Support government and private sector led initiatives to enhance the provision of care services Continue to develop specific policy initiatives with local partners to increase inclusive economic participation, including inclusive procurement practices, labour audits and supply chain human capital practices 	<ul style="list-style-type: none"> Number of underserved MSME segments accessing finance and/or advisory Number of clients introducing inclusive and gender-responsive policies and practices
<p>Reduced regional disparities</p>	<ul style="list-style-type: none"> Look to expand investments in underserved regions, including those affected by the earthquake and hosting refugees, through direct and indirect finance and advisory Alongside regional development agencies and local stakeholders, look to promote more inclusive regions through investments in labour-intensive sectors (e.g., agribusiness) and local supply chains to attract, develop and preserve regional human capital as well as in select infrastructure projects (including social infrastructure) to strengthen local access to private and public services and enhance economic opportunities, including for refugee populations 	<ul style="list-style-type: none"> Number of individuals with improved access to services in underserved regions

5. Activities and Results Framework (3/4)



Priority 3: Boost Türkiye's competitiveness through increased productivity and innovation and stronger governance

Key Objectives	Activities	Tracking indicators
A more expansive, innovative and competitive private sector	<ul style="list-style-type: none"> Provide direct finance to Turkish corporates to scale up, support greater competitiveness and sustainability and more fully integrate into global value chains, alongside advisory to increase productivity and operational efficiency, strengthen exports and promote corporate governance and business standards Strengthen intermediated financing of SMEs and other targeted segments through dedicated credit lines, with a focus on competitiveness, green transition, digital transformation and economic inclusion, as well as through risk sharing and other innovative products such as SME-backed bonds and diversified payment rights Look to further develop supply chain financing, including through innovative structures and other credit enhancement products, where possible in local currency, either commercially or with the EU and other IFIs Scale up SME advisory, including by enhancing the Blue Ribbon and Star Venture programs and supporting digital trade Look to facilitate increased local production in high value-added sectors by investing in growth-oriented and/or innovative companies, including through FDI Support further development of innovative practices and green technologies by Turkish companies, accelerators and start-ups, including R&D, through direct investment and VC funds, coupled with advisory and other programs Support digital transformation, including through investments in TMT companies and ICT services and related advisory to increase digitalisation, data governance and cyber security across sectors (e.g., trade and supply chains) 	<ul style="list-style-type: none"> Number of client reporting increased exports, employees and/or productivity Number/volume of loans extended by PFIs for SMEs, including outside Istanbul Number of clients introducing new or updated technology
Deepened financial and capital markets	<ul style="list-style-type: none"> Continue efforts to deepen and diversify access to capital markets, including investments in Türkiye-focused and regional private equity, venture capital and infrastructure funds; debt products; IPOs and direct equity; and instruments to support the real estate sector within financial markets Look to support alternative financing solutions, e.g., asset-backed securities incl. securitisation (synthetic and true sale), Islamic finance products and other structured facilities or tools; explore collaboration with Participation Banks Support development of Green, Social, Sustainable and Other Labelled (GSS+) products, including via investments Continue to support improvements in the enabling environment for local currency finance and TL products, especially corporate bonds as a credible alternative to bank loans Look to enhance resilience in the banking sector by supporting issuance of financial market instruments and other products that optimise the cost of capital (including synthetic securitisation and PRS) and funding structures, and promote sound risk management practices Look to facilitate further financial innovation through FinTech and other digital platforms (e.g., DTFF) Seek opportunities to broaden financial intermediation through NBFIs, including Asset Management Companies, factoring, insurance and leasing companies and pension funds 	<ul style="list-style-type: none"> Volume of capital markets transactions facilitated Number of new financing instruments introduced and/or expanded Number of legal/regulatory reforms in the financial sector
Strengthened corporate governance	<ul style="list-style-type: none"> Continue to promote PSP in essential infrastructure through innovative financing and delivery solutions (e.g., PPPs) Help strengthen corporate governance in the private sector, including climate governance, ESG and capital markets practices, financial management, reporting and disclosure, and explore similar opportunities to support improved corporate governance, transparency and capacity building with select SOEs and municipal entities Support further business climate improvements, including regulatory reform, improved financial restructuring and insolvency frameworks, online procedures for small/uncontested claims, e-governance and digital trade initiatives 	<ul style="list-style-type: none"> Number of clients improving corporate governance Improvements to the business climate



5. Activities and Results Framework (4/4)



Priority 4: Strengthen Türkiye's infrastructure and regional integration

Key Objectives	Activities	Tracking Indicators
Improved connectivity of transport networks and trade infrastructure	<ul style="list-style-type: none"> Continue to support development of key sustainable transport, trade and logistics infrastructure (e.g., rail, ports, maritime) connecting Türkiye internally and to the wider region, including as part of new trade routes, networks and initiatives such as the Middle Corridor, EU Global Gateway and G20 Partnership for Global Infrastructure and Investment (PGII) Help strengthen Türkiye's economic and trade integration with the EU, Central Asia and African markets by supporting international expansion of the private sector, promoting exports, facilitating inbound FDI and near-shoring opportunities, and scaling up trade finance (with a focus on intraregional and green trade) and capacity building (e.g., compliance with EU-CBAM and other legal and regulatory standards) Explore introduction of PPPs and other financing structures for Organised Industrial Zones 	<ul style="list-style-type: none"> Net increase in transport and port infrastructure usage and/or capacity Number/volume of TFP transactions supported by the Bank
Improved quality of digital infrastructure and services	<ul style="list-style-type: none"> Look to finance enhanced telecommunications, technology-based, cyber-secure solutions and integrated ICT services via investment and policy engagement in support of digital transformation, including with relevant SOEs Help meet the growing demand for ultra-fast broadband services by supporting the rollout of next generation digital infrastructure (fibre networks, 5G, data centres and towers) Seek to support expansion of key digital infrastructure in underdeveloped and rural regions and promote digital accessibility 	<ul style="list-style-type: none"> Net increase in digital infrastructure capacity
Strengthened resilience from natural disasters	<ul style="list-style-type: none"> Along with other partners and donors, look for opportunities to help re-integrate the earthquake-affected regions in the broader Turkish economy by continuing to support reconstruction of sustainable and resilient critical infrastructure and services, including in OIZs, providing financing and advisory to affected businesses and advancing other measures to increase intra-regional integration Promote greater disaster preparedness and climate risk management in order to enhance operational resilience at the national and municipal level Look for opportunities to increase implementation/absorption capacity and bring in the private sector in reconstruction efforts in earthquake-affected regions 	<ul style="list-style-type: none"> Number of beneficiaries maintaining access to vital services



6. Mapping of International Partners' Complementarity in EBRD Business Areas



EBRD Business Areas

Indicative annual average investments/grants (€m, 2019-2023)		Sectors								Cross-cutting Themes				
		Industry, Commerce & Agribusiness					Sustainable Infrastructure		FI		Strategic Initiatives			
		Agribusiness	Manufacturing & Services	Property & Tourism	TMT	Natural resources	Energy	Infrastructure	Banking	Non-Bank FIs	Green Economy	Inclusion & Gender	Local Currency & Capital Markets	Small Business
WB	1,788	€P				€	€P	€		€		€	€	
EU	1,448	€	€		€		€			€	€P		€	
IFC	1,168		€				€	€		€	€	€	€	
AIIB	608					€	€	€		€				
IsDB	291	€	€			€	€	€		€	€		€	
AFD	199					€	€	€		€	€	€		
JICA ¹	168	€		€			€			€	€		€	
KfW	166					€	€	€		€	€			
EIB	109		€				€			€	€			
EBRD	1,758	€	€		€	€P	€	€	€	€	€	€	€P	

€ Area of significant investments ● Focus mostly on private sector
 P Area of significant policy engagement ○ Focus mostly on public sector

Potential areas for cooperation



Inclusive

- Continue collaboration with UNDP, ILO and relevant IFIs to support human capital, with a focus on broadening women's participation in the labour force and enhancing skills development.



Green

- Expand support for energy efficiency measures and scale up renewable energy projects in collaboration with IFC, AIIB and potentially EIB.



Integrated

- Co-finance public infrastructure projects with AFD, AIIB, IFC and potentially EIB and ensure coordination across IFIs to support municipal investments in the earthquake-affected region.



Competitive

- Cooperate with IFC to ensure continued SME access to finance through inclusive credit lines and explore co-financing opportunities to support equity funds' investments in early-stage innovative companies.

Note: IFI activity mapping based on publicly available information. Significant IFI investment defined as projects exceeding 5% of annual investment and signed from 2019

1. Based on Annual reports from 2019 to 2022



7. Implementation Risks and Environmental and Social Implications

Risks to the strategy implementation	Probability	Effect	Environmental and Social Implications
<ul style="list-style-type: none"> An inability to control and meaningfully reduce inflation from exceptionally high levels would worsen the economic operating environment. 			<ul style="list-style-type: none"> Assessment and Management of E&S Impacts, Stakeholder Engagement: Ensure that projects' direct, indirect, cumulative, and transboundary E&S impacts, including their vulnerability to climate change, are assessed and mitigated, while ensuring meaningful stakeholder engagement by clients, especially crucial for infrastructure and renewable energy projects exempt from EIA where public opposition is evident. The Bank requires its clients to address gaps between local standards and EBRD E&S Performance Requirements through additional mitigation measures and good implementation practices to mitigate the potential risk of social unrest, security issues, and/or human rights violations within projects. Labour and Working Conditions: Ensure compliance of clients' labour policies and practices with EBRD PRs. EBRD requires clients to ensure fair treatment, non-discrimination, non-harassment and equal opportunities for all project workers. EBRD will help clients build their capabilities to manage supply chain risks by identifying, assessing, and mitigating potential negative impacts on workers, and enhance equal opportunities and inclusion through TCs. Paris Alignment and Compliance with EU CBAM: In accordance with Türkiye's updated NDC, focus on promoting zero/low-carbon initiatives, especially in SMEs, agribusiness and chemical manufacturing. Support for EU exporters' compliance with CBAM, especially on the downstream side, will be crucial, along with reporting practices and developing low-carbon transition strategies prior to CBAM effectiveness in 2026. Prioritising downscaled climate scenarios in regions with critical infrastructure and water stress requires targeted TC projects. Continue to assist sovereign/municipal clients in adopting Green City/Local Climate Action Plans, aligning with Climate Change Governance practices and national NDC commitments. Health and Safety: Focus on improving health and safety policies and practices among clients, with particular attention to high-risk sectors, including natural resources, power and energy, construction, and agriculture, emphasising areas such as road safety, fire safety, design, and process safety. TC funds will be necessary to enhance client capacity in health and safety practices. Land Acquisition, Physical & Economic Resettlement: P&T, natural resources and infrastructure projects may necessitate land and property acquisition. While private property rights are safeguarded under national legislation, challenges persist during the acquisition process. Ensure compensation and livelihood restoration in accordance with EBRD PRs, with special attention paid to vulnerable populations that may be disproportionately affected by the projects. Biodiversity Conservation and Sustainable Management of Living Natural Resources: Ensure clients conduct thorough biodiversity assessments of projects to mitigate impacts, particularly near main rivers, Important Bird Areas, and migration routes. Assist clients in implementing nature-positive measures and investments, including the conservation and restoration of natural resources, ecosystems, and nature-based solutions, with tailored guidance for industries heavily reliant on biodiversity. Cultural Heritage: Ensure that clients conduct appropriate baseline and impact assessments to protect both tangible and intangible cultural heritage in Türkiye, implementing cultural heritage management plans and chance finds procedures for all construction-related projects. Institutional Strengthening and Capacity Building: Through TCs, seek opportunities to build capacity within public and private sector, develop new environmental and social initiatives and promote best practices to address systematic health, safety, environmental and social issues in the country.
<ul style="list-style-type: none"> A return to unorthodox economic policies could undermine investor confidence and inhibit private investment. 			
<ul style="list-style-type: none"> Increased geopolitical uncertainty could further affect macroeconomic stability, cause supply chain disruptions and limit longer-term investments. 			
<ul style="list-style-type: none"> Limited availability of donor funds may constrain the Bank's capacity to support the private sector, e.g., through the use of innovative advisory programmes and blended financial instruments. 			
<ul style="list-style-type: none"> Limited availability of long term TL funding may constrain EBRD lending to corporates and SMES, including for capex investments. 			
<ul style="list-style-type: none"> Certain state support mechanisms in the energy and manufacturing sectors may limit the Bank's ability to develop relevant projects. 			
<ul style="list-style-type: none"> Continued dominance of state-owned banks poses fiscal risks and may constrain the Bank's ability to reach the real economy via PFIs 			

High Medium Low



8. Donor Partnership Assessment

Needs Assessment for the New Country Strategy Period

Various forms of donor funding will be needed to achieve the objectives of the upcoming Country Strategy for Türkiye:

- TC grants to finance policy advisory, including to strengthen the regulatory framework, remove investment barriers and promote emissions-reduction initiatives under the Green Cities framework, can help enable GET objectives.
- Concessional intermediary financing programs such as WiB, as well as TC advisory programmes, require continued support. Funds are also required to support human capital development, and business advisory for underserved regional firms.
- TC grants are required for programmes such as Star Venture and Blue Ribbon to provide advisory services for SMEs and start-ups. TC financing is also required to strengthen corporate governance through policy reforms at the legal, regulatory, and institutional level. Concessional finance is needed to support dedicated credit lines focusing on areas such as GET, digitalisation, and economic inclusion.
- Concessional finance and TC advisory are needed to support the recovery of critical services and businesses impacted by the earthquake and enhance resilience for future natural disasters. This will facilitate strengthened domestic and regional integration.

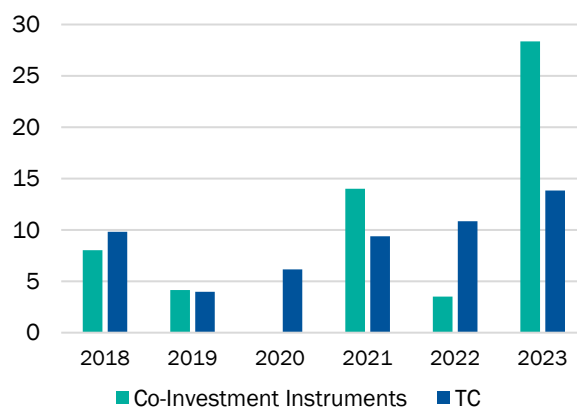
Potential Sources of Donor Funds

- TC grants to finance policy reforms, digital transformation, inclusion, and business advisory services are available from Japan and Korea. TC grants and concessional loans for financial institutions and agribusiness are also available from Taipei China.
- Concessional finance and TC grants from HIPCA and a limited amount of guarantees by EFSD+ (channelled via the Türkiye Investment Platform) and EU grants are accessible to support high impact climate investments.
- Climate Investment Funds have played a pivotal role in supporting investments delivered through the Green Economy Financing Facility in Türkiye. Concessional resources, in the form of loans and TC grants, have been used to support projects facilitating green transition. Grants and concessional loans for this purpose are accessible from the Global Environment Facility.
- Additionally, grants are accessible through the EBRD-Türkiye bilateral fund.
- Shareholder Special Fund (SSF) was an important source of concessional resources for Türkiye during the last country strategy. Available SSF resources are expected to be limited to the annual regional allocation for Türkiye* and a newly established crisis response line specifically earmarked for Ukraine, Armenia, Morocco and Türkiye. This line can be utilised to support earthquake response efforts.

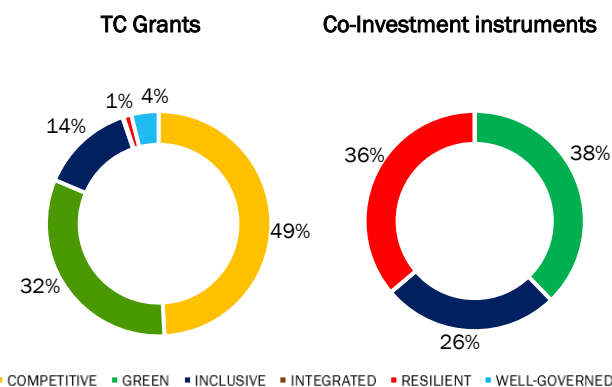
Selected Affordability Indicators

		EBRD regional percentile rank ¹
GDP per capita (PPP, \$) ² (2022)	39,314	71st
ODA Country	Yes	N/A
ODA as share of Gross National Income (%) ³	0.13	13th
ODA per capita (\$ - current prices) ³	12.47	17th

Use of Concessional Resources in 2018-2023 (€m)⁴



Use of Concessional Resources by TQ in 2018-2023⁵



* Contingent upon the total size of NIA and the SSF regional allocation model, which factors in GDP per capita, population growth and Assessment of Transition Qualities for each country.

1. Simple percentile rank reported as the share of EBRD economies represented below Türkiye (for which data is available). 2. IMF WEO 3. OECD (2021) 4. The methodology for reporting co-investment instrument amounts changed from being based on client signings to being based on earmarks at the commitment level in 2022. Data from 2018 to 2023 for TC and co-investment instrument amounts from 2022 to 2023 are based on earmarks at the commitment level, while co-investment instrument amounts from 2018 to 2021 are based on client signings. 5. Based on the primary Transition Quality of earmarked concessional resources.

Annex



European Bank
for Reconstruction and Development



Annex 1 – Political Assessment in the Context of Article 1 (1/9)

Türkiye is committed to the political principles of Article 1 as set out in the Agreement Establishing the Bank, but their application has continued to be under strain since the previous Country Strategy was adopted. Significant concerns continue to be expressed regarding the constitutional framework adopted in 2017-2018. Relevant international bodies have also raised concerns over recent steps affecting the quality of democratic and human rights standards and their application.¹ Nonetheless, Turkish democracy and civil society remain resilient and elections continue to act as a significant check on the state and government decision-making.

A series of amendments to the Constitution in 2017 introduced a presidential system, which relevant international bodies have criticised for failing to uphold the principles of the separation of powers and the independence of the judiciary. They came into effect after presidential elections in June 2018 and have provided the framework for the country's government and political life since then. Relevant international bodies have also raised concerns about measures which have limited the space for political opposition, independent media and civil society. They have highlighted Türkiye's non-compliance with certain rulings by the European Court of Human Rights and Türkiye's withdrawal from the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence (Istanbul Convention).²

Turkish democracy, media and civil society draw strength from the country's distinctive urban and regional centres, cultural and religious diversity and strong private sector. The May 2023 presidential and parliamentary elections were competitive and produced a high turn-out, despite the ODIHR Monitoring Mission raising concerns regarding the legal framework, political atmosphere and administration of the poll. Similarly, the March 2024 local elections were highly competitive, with the opposition registering a strong performance, even if international observers raised concerns about the political and legal context. A large number of civil society organisations focussing on a wide range of issues continues to operate. Despite concerns about the space for independent media, including pressure on social media, online outlets continue to provide access to a diversity of views.

Türkiye's accession to the EU is effectively at a standstill. The European Commission Türkiye Report in November 2023 (EC Türkiye Report) described democratic backsliding and only a very limited alignment with EU foreign policy principles and objectives.³ However, its relationship with the EU remains an anchor for its domestic political trajectory and the EU has identified an agenda for enhanced engagement. In the first half of 2024, a number of specific actions, including resuming high level political dialogues and discussions on updating the Customs Union, were put on the agenda. If this progress continues, it could have a positive influence on the rule of law, governance and transparency.

1. The concerns relating to the constitutional framework were originally set out in an Opinion issued by the Council of Europe Venice Commission in March 2017. The Turkish authorities argue that those concerns have not been borne out in practice (see below). Reports by the UN, OSCE bodies and representatives and the EU have reiterated concerns about the constitutional framework and raised other concerns about democratic and human rights standards. The Turkish authorities argue that many of these concerns are not justified (see below).

2. See fn 1.

3. European Commission Türkiye 2023 Report, November 2023, p 4 and p 125.



Annex 1 – Political Assessment in the Context of Article 1 (2/9)

Free Elections and Representative Government

Free, fair and competitive elections

The Turkish Constitution, adopted in 1982 and subsequently amended, provides the legal framework for holding free, fair and competitive elections. Article 67 enshrines a series of basic rights and freedoms including the right to vote and be elected and take part in political activities. It also stipulates that elections and referendums should be held in accordance with the principles of “free, equal, secret, direct, universal suffrage and public counting of the votes.” However, in practice, subsidiary legislation and the broader legal and political context have qualified these provisions.

Turkish political culture is vibrant and elections continue to attract the creativity and energy of a wide range of political organisations. Turkish citizens continue to believe that their vote can make a difference and turnout for elections is remarkably high. For the first round of the May 2023 presidential elections it reached 87%. This produced a highly competitive electoral environment with the presidential election going to a second round with a turnout of 84%.

The Turkish authorities invite observers from OSCE/ODIHR to monitor all national elections. The Council of Europe sends observers to local elections. The ODIHR International Election Observation Mission (IEOM), in its Final Report on the 2023 general election and presidential election, commended the decision in March 2022 to reduce the threshold for parties to be represented in the Grand National Assembly of Türkiye from 10% to 7%, but noted that other recommendations from previous missions remained unimplemented. Overall it concluded, “The legal framework does not fully provide a sound basis for the conduct of democratic elections and contains undue limitations on key rights and freedoms.”⁴

On the conduct of the second round of the presidential election, the IEOM concluded that, “Voter participation remained high, however, as in the first round, biased media coverage and the lack of a level playing field gave an unjustified advantage to the incumbent.” It described the campaign as “highly polarized and often inflammatory in tone, with mutual accusations of association with terrorism.” Some officials made discriminatory statements and campaigners used harsh rhetoric against migrants and Syrians under temporary protection.⁵

The March 2024 local elections, held across the country, also produced a very competitive contest with a high turn-out. The strong performance of opposition candidates underlined the continued resilience of Turkish democracy. However, international observers raised a series of concerns relating to the constitutional and legal framework and to the political and administrative context in which the elections were held.⁶

Separation of power and checks and balances

Amendments to the Constitution, approved in 2017, introduced a presidential system which fails to provide an adequate framework for the separation of powers and checks and balances. Relevant international bodies have continued to raise serious concerns since then about the lack of a separation of powers and checks and balances.⁷ The EC Türkiye Report in November 2023 summed up these concerns and stated that the new constitutional arrangements do “not ensure a sound and effective separation of powers between the executive, the legislature and the judiciary.”⁸ Despite this, the Turkish authorities believe that the concerns set out by the Venice Commission in 2017 have not been borne out in practice and that the principle of the separation of powers has been upheld.

4. ODIHR Election Observation Mission Final Report, September 2023, pp 1-2.

5. ODIHR Election Observation Mission Final Report, September 2023, p 2 and p 16.

6. Council of Europe Congress of Local and Regional Authorities, Statement by Head of Observation Mission, April 2024.

7. See fn 1.

8. EC Türkiye Report, November 2023, p 4.



Annex 1 – Political Assessment in the Context of Article 1 (3/9)

Effective power to govern of elected officials

The Constitution provides the legal framework for elected officials to have effective power to govern, as set out in Article 6. Elected officials generally have effective power to govern, notwithstanding the president’s constitutional powers to appoint and dismiss senior officials. The successful resistance to the attempted coup by a fraction of the military in 2016 was a watershed moment in modern Turkish history which confirmed the resilience of constitutional authority.⁹

Article 15 of the Constitution sets out the broad framework for the establishment of a state of emergency including safeguards, e.g. the supremacy of international law and the inviolability of certain basic human rights. Article 119 grants the President the right to declare a state of emergency for six months, subject to confirmation by the Grand National Assembly of Türkiye. The conditions for a state of emergency are elaborated in other parts of the Constitution.

Civil oversight of the military has strengthened in recent years and the EC Türkiye Report welcomed the abolition of the system of military courts in the 2017 constitutional amendments.¹⁰ Nonetheless, the EC concluded that further steps were required, including a strengthening of parliamentary oversight over state bodies responsible for maintaining security.¹¹

Articles 2 and 4 of the Constitution establish secularism as one of the “irrevocable principles” of the Turkish Republic. The separation of state and religion is ensured by the overall supervision by the state of religious bodies as set out in Article 24 and the establishment of the Presidency of Religious Affairs (Diyanet) in Article 136.

Civil Society, Media and Participation

Scale and independence of civil society

The Constitution provides the framework for civil society organisations and foundations to operate. Article 33 states that, “Everyone has the right to form associations, or become a member of an association...” However, it then describes a series of criteria according to which the activity of CSOs can be curtailed or their existence legally dissolved. Article 51 sets out the right to form labour unions and Article 54 sets out the right to strike.

Türkiye has a long-standing, diverse and influential civil society. As of June 2023, there were over 101,000 associations and over 6,000 foundations registered with the authorities. The great majority operate in the fields of social assistance, education, sport and religion, with a minority active in the fields of human rights and advocacy. CSOs made a major contribution to the response to the February 2023 earthquake.

However, relevant bodies have raised concerns in recent years about a more restrictive legal framework for CSOs and growing instances of the authorities seeking to curtail their operations in practice. The EC Türkiye Report concluded that, “Serious backsliding regarding civil society issues continued. Civil society organisations faced increased pressure and shrinking space to operate limiting their freedoms of expression, association and assembly.”¹² In March 2020, the Law on Associations [CSOs] was amended to make it obligatory for CSOs to provide details to the authorities about their membership.¹³

9. The State of Emergency which was imposed during the July 2016 attempted coup was lifted in July 2018. A Commission of Inquiry set up in 2017 to review cases relating to individuals and organisations, which had been affected by the provisions of the State of Emergency completed its mandate in January 2023.

10. These include subordinating the Gendarmerie General Command to the Ministry of Internal Affairs and the Turkish Armed Forces to the Ministry of Defence.

11. EC Türkiye Report, November 2023, p 5.

12. EC Türkiye Report, November 2023, p 5.

13. Commissioner for Human Rights, Memorandum, March 2024.



Annex 1 – Political Assessment in the Context of Article 1 (4/9)

Independent pluralistic media that operate without censorship

Türkiye has a long-established and vibrant press and media, with hundreds of private TV and radio stations competing with the state broadcaster TRT. Television is the most influential news medium; both press and broadcasting outlets are operated by powerful business operators. The print media is in private ownership but is concentrated in the hands of a few large holding companies. In recent years, online and social media outlets have become the main source of independent information and comment on politics and current affairs for many, especially younger, Turkish citizens.

The Constitution provides the framework for a pluralistic media to operate without censorship. Article 28 states that, “The press is free, and shall not be censored.” However, it then sets out a series of criteria according to which the activity of media outlets can be curtailed or their existence legally dissolved. In recent years, the legal framework for independent journalism has become more restrictive. In its report on the 2023 elections, the IEOM concluded that “some provisions of the Criminal Code, Press Law, anti-terror laws, and other legislation restrict the exercise of these freedoms.” It also raised concerns about “severe penalties for the defamation and insults of public officials and the president, as well as of state institutions and symbols, contrary to international standards.”¹⁴

Relevant international bodies have raised concerns about a law to combat disinformation on the internet approved by parliament in October 2022 which would expose persons found guilty of publicly disseminating “false or misleading information” to between one and three years in prison and would increase by half the penalty for offenders who hide their identity or act on behalf of an organisation. A spokesman for the UN OHCHR said at the time that the law could “substantially curtail freedom of expression in the country.” The Council of Europe Commissioner for Human Rights concluded in early 2024 that the law had led to self-censorship and the blocking of a large amount of online material.¹⁵

Multiple channels of civic and political participation

Elections to national (Presidency and Grand National Assembly of Türkiye) and local institutions in Türkiye were held regularly during the period covered by the previous Country Strategy with a remarkably high level of voter turnout. The Constitution, the established party system, the long-standing, diverse civil society and the high level of political engagement by citizens ensures that, despite sometimes increasing restrictions on the legal, institutional and organisational framework, multiple channels of civic and political participation continue to function in practice.

The Turkish administrative system is centralised, with the President appointing governors of the 81 provinces without reference to the Grand National Assembly of Türkiye. However, all 81 provinces have elected mayors, of these thirty have the status of metropolitan municipalities, which have important powers and responsibilities. Altogether, there are nearly 1,400 province capital, district and town level elected bodies, which have responsibility for delivering a range of local services. A significant number of these metropolitan and local elected bodies are run by opposition parties.

The traditional Turkish institution of the Muhtar, with over 50,000 non-partisan elected neighbourhood representatives, provides a grass-roots bridge between the citizen and the state, facilitating the delivery of local services and providing a channel for complaints.

14. ODIHR Election Observation Mission Final Report, September 2023, p 20.

15. Council of Europe, Commissioner for Human Rights, Memorandum on freedom of expression, the media, human rights defenders and civil society in Türkiye, March 2024. The great majority of this blocked material related to gambling, prostitution and other such material.



Annex 1 – Political Assessment in the Context of Article 1 (5/9)

Freedom to form political parties and existence of organised opposition

The Constitution provides the framework for political parties and an organised opposition to exist. As well as confirming the right of citizens to join political parties, Article 68 states that, “Political parties are indispensable elements of democratic political life.” But relevant international bodies have raised concerns about the application of these principles in practice.

Articles 68 and 69 confirm that political parties can be established without prior permission but also stipulates that their objectives should not contradict a series of principles including “the independence of the State, its indivisible integrity with its territory and nation, human rights, the principles of equality and rule of law, sovereignty of the nation, the principles of the democratic and secular republic.” The same articles prohibit party membership for certain state and judicial officials and a series of provisions relate to the responsibility of the Constitutional Court for hearing cases relating to the regulation and dissolution of political parties.

There are a large number of political parties currently operating in Türkiye, some of which have played a long-standing role in its public life and which represent a wide range of political standpoints from nationalist to liberal, from religious to secular and a variety of social and ethnic groups. Membership in political parties is remarkably high. The currently governing Justice and Development party (AKP) has approximately 11 million members. The main opposition Republican People’s party (CHP) has approximately 1.4 million members.

The 2023 EC Türkiye Report noted that, “Political pluralism continued to be undermined by the targeting of opposition parties and individual members of parliament. The government’s pressure on mayors from opposition parties continued to weaken local democracy.” The ODIHR IEOM report on the 2023 general and presidential elections raised concerns about “widespread pressure, intimidation and arrest of supporters” directed at the People’s Democratic party (HDP) and the Green Left party (YSP).¹⁶

Rule of Law and Access to Justice

Supremacy of the law

The Constitution provides the framework for the supremacy of the law. Article 2 establishes the rule of law as one of the “irrevocable principles” of the Turkish Republic. Article 11 stipulates that, “The provisions of the Constitution are fundamental legal rules binding upon legislative, executive and judicial organs, and administrative authorities and other institutions and individuals.” The Constitution (Article 36) confirms the right of citizens to a fair trial. Article 90 gives domestic legal force to international treaties to which Türkiye is a party, setting out that where the provision of an international treaty contradicts the provision of domestic law, the international provision prevails.

Relevant international bodies have raised concerns about the application of the supremacy of the rule of law in practice. The EC Türkiye Report noted, “The continued refusal to implement certain rulings of the European Court of Human Rights (ECtHR) remains a matter of concern.”¹⁷ The Council of Europe Commissioner for Human Rights noted in March 2024 that, “Consistent reports received by the Commissioner confirm the strong partiality of the judiciary to political interests and a systemic lack of independence of the Turkish judiciary.”¹⁸ The Turkish authorities disagree with this assessment and believe that the Constitution and Türkiye’s adherence to the European Convention on Human Rights guarantees the principle of judicial independence.

16. EC Türkiye Report, November 2023, p 4; and ODIHR Election Observation Mission Final Report, September 2023, p 2.

17. EC Türkiye Report, November 2023, p 5. Apart from these cases, Türkiye’s record of compliance with ECHR judgments is relatively high.

18. Commissioner for Human Rights, Memorandum, March 2024, p 12.



Annex 1 – Political Assessment in the Context of Article 1 (6/9)

Independence of the judiciary

The Constitution provides the broad framework for the independence of the judiciary, but with significant qualifications. Article 9 stipulates that, “Judicial power shall be exercised by independent and impartial courts on behalf of the Turkish Nation”. This principle is elaborated in Article 138 which also stipulates that, “Legislative and executive organs and the administration shall comply with court decisions; these organs and the administration shall neither alter them in any respect, nor delay their execution.”

Relevant international bodies have raised a series of concerns about the lack of protections for an independent judiciary, particularly in the context of the adoption of the 2017 constitutional amendments. The Venice Commission raised serious concerns about the way that they increased the powers of the President over judicial oversight bodies and, effectively, over the appointment of certain senior judges and a reduction in the role of judges and prosecutors in these areas. The President’s powers over the Constitutional Court were also enhanced. It concluded that the amendments would “weaken an already inadequate system of judicial oversight of the executive.”¹⁹ In their comments on the Venice Commission Opinion, the Turkish authorities argued that the changes were necessary to guard against the politicisation of the process of the selection of judges.²⁰

Similar concerns were again raised during the period covered by the previous Country Strategy. For example, the EC Türkiye Report concluded that, “There was no progress in eliminating undue influence and pressure by the executive on judges and prosecutors, which negatively affects the independence, impartiality and quality of the judiciary.”²¹

Government and citizens equally subject to the law

The Constitution provides the framework for government and citizens to be equally subject to the law. Article 10 stipulates that, “State organs and administrative authorities are obliged to act in compliance with the principle of equality before the law in all their proceedings.” Article 40 stipulates that “Everyone whose constitutional rights and freedoms have been violated has the right to request prompt access to the competent authorities. Article 36 sets out the right to a fair trial before a properly constituted court. Article 74 establishes the post of Ombudsperson under the Grand National Assembly of Türkiye. Citizens and residents have the right to petition the Ombudsperson with complaints about the functioning of the administration.

Effective policies and institutions to prevent corruption

The Constitution includes provisions which support the establishment of institutions and effective policies for preventing corruption. They include provisions on: the activities and auditing of political parties; asset declarations by citizens elected to high public office and public servants; and disqualification for office for previous convictions for bribery and conflicts of interest.²² Türkiye is a signatory to the main international and European anti-corruption conventions. However, relevant international bodies have concluded that its progress in recent years has been weak and, in some respects, has reversed.

The EC Türkiye Report concluded that “Türkiye is at an early stage in the fight against corruption. There was no progress in the reporting period. Outstanding deficiencies in key areas of the fight against corruption over the last years remained unaddressed. A fully-fledged corruption prevention policy still remains to be developed, including the relevant institutions, contrary to the United Nations Convention against Corruption, to which Türkiye is party. Legislative gaps still

19. Urgent Opinion of the Venice Commission, March 2017, p 29. Despite the concerns raised by the Venice Commission, the amendments were adopted without changes.

20. Information Note on the Issues to be Handled in the Visit of the Venice Commission regarding the Constitutional Amendments, Turkey, Ministry of Justice, February 2017.

21. EC Türkiye Report, November 2023, p 5.

22. Articles 69, 71, 76 and 82.



Annex 1 – Political Assessment in the Context of Article 1 (7/9)

remain in several fields of the fight against corruption.”²³

The Council of Europe Group of States against Corruption (GRECO) concluded in 2022 that Türkiye’s “current level of compliance with [its] recommendations remains globally unsatisfactory.”²⁴

Türkiye’s lack of progress and, in some respects, regress in its efforts to tackle corruption were reflected in its score on the most recent Transparency Corruption Perceptions Index, which fell from 40 in 2020 to 34 in 2023.²⁵

Civil and Political Rights

Freedom of speech, information, religion, conscience, movement, association, assembly and private property

The Constitution provides basic guarantees for the main civil and political rights. They include: freedom of communication (Article 22); freedom of thought and opinion (Article 25); freedom of association (Article 33); and the right to hold meetings and demonstrations (Article 34). Türkiye is a party to the main international and regional human rights treaties. However, relevant international bodies have raised concerns about the application of human rights standards in practice in recent years.

The EC Türkiye Report concluded in November 2023 that Türkiye’s “legislation and its implementation need to be brought into line with the European Convention on Human Rights (ECHR) and European Court of Human Rights (ECtHR) case law. No legislative amendments were adopted to eliminate the remaining elements of the 2016 state of emergency laws.” It noted that the implementation of the Action Plan on Human Rights (2021–2023) adopted in 2021 continued but that it did not address critical issues and that there was no progress in the area of freedom of assembly and association, where legislation and its implementation were not in line with the Constitution, European standards or the international conventions that Türkiye was party to. There were recurrent bans, disproportionate use of force and interventions around peaceful demonstrations.²⁶

The European Commission noted that Türkiye had not implemented the July 2022 ruling of the Grand Chamber of the European Court of Human Rights, which was issued in the framework of the infringement procedure launched by the Committee of Ministers against Türkiye, that pointed to a drifting away from the standards of human rights and fundamental freedoms that it had subscribed to as a member of the Council of Europe. This judgement was reinforced by the Council of Europe Commissioner for Human Rights in March 2024 who raised serious concerns about a “widespread pattern of judicial actions and criminal proceedings targeting human rights defenders for their lawful and legitimate activities”.²⁷

Political inclusion for women, ethnic and other minorities

The Constitution provides the broad framework for political inclusion. Article 10 sets out that “Everyone is equal before the law without distinction as to language, race, colour, sex, political opinion, philosophical belief, religion and sect, or any such grounds.” Amendments added in 2004 and 2010 confirm equality between men and women and the responsibility of the state to ensure that equality is implemented in practice.

23. EC Türkiye Report, November 2023, p 5.

24. Council of Europe Group of States against Corruption (GRECO), Third Interim Compliance Report, March 2022, p 14.

25. Türkiye’s score in 2023 was its lowest ever score. In terms of ranking, Türkiye fell from 86th place in 2020 to 115th place in 2023.

26. EC Türkiye Report, November 2023, p 6.

27. Commissioner for Human Rights, Memorandum, March 2024.



Annex 1 – Political Assessment in the Context of Article 1 (8/9)

A report by UN Committee on the Elimination of Discrimination against Women (CEDAW) in July 2022 noted the adoption of the Action Plan on Human Rights as a positive step while the EC Türkiye Report raised concerns about its implementation.²⁸ The Human Rights and Equality Institution of Türkiye has not yet come into full compliance with the principles relating to the status of national institutions for the promotion and protection of human rights (the Paris Principles).²⁹

The IEOM concluded in its Final Report on the 2023 general elections that the under-representation of women in politics and leadership positions underscored the need for more concerted efforts from authorities and political parties to tackle stereotypes that hinder women’s political engagement. Approximately one in four parliamentary candidates were women, but no woman candidate ran for the presidency. Women’s visibility was limited in the campaign, with only a few parties promoting women’s equality and combating gender-based violence, including in the presidential run-off. The proportion of women in the newly elected parliament increased from 17 to 20 per cent.³⁰

The CEDAW report raised a series of concerns about the status of women and protections for their rights and security. In particular, it “reiterated its deep regret” at Türkiye’s decision to withdraw from the Council of Europe Convention on Preventing and Combatting Violence against Women and Domestic Violence, known as the Istanbul Convention, in March 2021. It described Türkiye’s denunciation of the Istanbul Convention as “a retrogressive measure” which was “inconsistent with the State party’s due diligence obligations under the Convention on the Elimination of All Forms of Discrimination against Women to uphold the highest human rights standards for women and girls”.³¹ The Turkish authorities dispute this assessment and refer to Türkiye’s adherence to other relevant international agreements and national legislation and programmes as providing an adequate framework for tackling the issue of violence against women.³²

The CEDAW Report called on Türkiye “to adopt legislation that prohibits all forms of discrimination against women and covers direct and indirect discrimination in the public and private spheres” and a series of other measures to protect women from gender-based violence and enhance the rights of women, particularly those affected by disabilities, refugees and/or from other minorities.³³ Relevant international bodies have also expressed concerns about discrimination and hate speech directed at LGBTIQ people.³⁴

28. UN Committee on the Elimination of Discrimination against Women, Eighth Periodic Report on Türkiye (hereafter UN CEDAW Report), July 2022, pp 1-2; EC Türkiye Report, November 2023, p 5.

29. UN CEDAW Report on Türkiye, July 2022, p 7.

30. ODIHR Election Observation Mission Final Report, September 2023, p 2; the CEDAW Report recommended a series of measures to increase the participation of women in public life. The Ombudsman under the Grand National Assembly of Türkiye provides another channel through which concerns about the application of human rights can be raised.

31. UN CEDAW Report, July 2022, p 3; Many of these and other concerns raised by the CEDAW report were also raised by the UN Special Rapporteur on Violence against Women and Girls in her report to the Human Rights Council in June-July 2023.

32. These include the Fourth National Action Plan on Combatting Violence against Women and a series of measures to promote gender responsive budgeting and planning.

33. UN CEDAW Report, July 2022, p 5.

34. UN CEDAW report, July 2022, p 8; and EC Türkiye Report, November 2023, p 7. The Turkish authorities argue that constitutional guarantees of equality before the law, the Human Rights and Equality Institution of Türkiye and the Ombudsman provide adequate protections for all people against discrimination and abuse.



Annex 1 – Political Assessment in the Context of Article 1 (9/9)

Freedom from harassment, intimidation and torture

The Constitution provides the framework for freedom from harassment, intimidation and torture. Article 17 confirms the right to life and that “no-one shall be subjected to torture or maltreatment; no one shall be subjected to penalties or treatment incompatible with human dignity.” Türkiye ratified the Optional Protocol to the Convention against Torture in 2011 and established its National Preventive Mechanism in 2014. The death penalty was legally abolished in 2004; it had not been applied since 1984.

After a visit to Türkiye in September 2022, experts from the UN Sub-Committee on the Prevention of Torture raised concerns about “the effective exercise of the fundamental rights and guarantees during the first hours of detention, which are of paramount importance for the prevention of torture and ill-treatment.”³⁵

35. Press Release on UN OHCHR website, 21 September 2022.