ADB

Interim Country Partnership Strategy

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Türkiye, 2025–2027
—Building a Vibrant Partnership Through People-Centered Public and Private Sector Solutions

Asian Development Bank

CURRENCY EQUIVALENTS
(as of 1 September 2025)

Currency unit	–	Turkish lira (TL)
TL1.00	=	$0.02430
$1.00	=	TL41.1446

ABBREVIATIONS

ADB	–	Asian Development Bank
CAREC	–	Central Asia Regional Economic Cooperation
CIF	–	Climate Investment Funds
COVID-19	–	coronavirus disease
EBRD	–	European Bank for Reconstruction and Development
EU	–	European Union
GDP	–	gross domestic product
GNI	–	gross national income
GW	–	gigawatt
IBRD	–	International Bank for Reconstruction and Development
ICPS	–	interim country partnership strategy
IFC	–	International Finance Corporation
IMF	–	International Monetary Fund
MIGA	–	Multilateral Investment Guarantee Agency
OECD	–	Organisation for Economic Co-operation and Development
OIZ	–	organized industrial zone
PPP	–	public–private partnership
RCI	–	regional cooperation and integration
SMEs	–	small and medium-sized enterprises
SOE	–	state-owned enterprise
TA	–	technical assistance
UMIC	–	upper middle-income country

NOTE

In this report, “$” refers to United States dollars.

Vice-President	Yingming Yang, Office of the Vice-President (South, Central and West Asia)
Director General	Leah Gutierrez, Central and West Asia Department (CWRD)
Deputy Director General	Yong Ye, CWRD
Advisor	Narendra Singru, Office of the Director General (CWOD), CWRD
Regional Lead Economist	Kiyoshi Taniguchi, Office of the Chief Economist and Director General, Economic Research and Development Impact Department
Team leader	Rajesh Vasudevan, Principal Economist, CWOD, CWRD
Team members	Mohamed Akbar, Senior Operations Specialist, CWOD, CWRD
	Giap Minh Bui; Principal Natural Resources and Agriculture Economist; Agriculture, Food, Nature, and Rural Development Sector Office; Sectors Department 2 (SD2-AFNR)
	Fatima Catacutan, Principal Operations Officer, Operations Coordination Unit, CWRD
	Angelita Cortez, Senior Results Management Officer, Results Management and Aid Effectiveness Division (SPRA), Strategy, Policy, and Partnerships Department (SPD)
	Mary Ann Cuevas, Results Management Officer, SPRA, SPD
	Luca Di Mario, Senior Urban Development Specialist, Water and Urban Development Sector Office, Sectors Department 2
	Haidy Seang Ear-Dupuy; Unit Head, NGO and Civil Society Center; Fragility and Engagement Division (CCFE), Climate Change and Sustainable Development Department (CCSD)
	Erin Chu S. Felton, Senior Operations Coordination Specialist (Fragile and Conflict-Afflicted Situations), CCFE, CCSD
	Alexander Harvey; Senior Climate Change Specialist; Climate Change, Resilience, and Environment Cluster (CCRE); CCSD
	Andrew Hurley, Senior Disaster Risk Management Specialist, CCRE, CCSD
	Shaista Hussain, Principal Operations Specialist, Operations Coordination Unit, CWRD
	Anjum Israr, Senior Public Sector Specialist, Public Sector Management and Governance Sector Office, Sectors Department 3 (SD3-PSMG)
	Tahani Iqbal, Digital Development Specialist, Digital Sector Office, Sectors Department 2
	Prabhjot Rehan Khan, Senior Social Development Specialist (Gender and Development), Gender Equality Division, CCSD
	Aditya Khurana, Results Management Specialist, SPRA, SPD
	Fatima Khushnud, Public Sector Specialist, SD3-PSMG
	Shuji Kimura, Principal Transport Specialist, Transport Sector Office, Sectors Department 1
	Baurzhan Konysbayev, Principal Counsel, Office of the General Counsel
	Olivier Leonard; Principal Procurement Specialist; Procurement Division; Procurement, Portfolio, and Financial Management Department (PPFD)

	Roman Mogilevskii, Senior Economist, Regional Cooperation and Integration Unit, CWRD Akmal Nartayev, Principal Financial Management Specialist, Financial Management Division, PPFD Irina Novikova, Principal Safeguards Specialist (Social), Office of Safeguards (OSFG) Genevieve O'Farrell, Senior Safeguards Specialist (Environment), OSFG Ozden Onturk, Financial Sector Specialist, Finance Sector Office, Sectors Department 3 Ninette Pajarillaga, Principal Safeguards Specialist (Environment), OSFG Rene Cris Rivera, Associate Economics Officer, CWOD, CWRD Jannat Salimova-Tekay, Markets Development Advisory Specialist, Special Initiatives and Funds, Office of Markets Development and Public–Private Partnership (OMDP) Annika Seiler, Principal Energy Specialist, Energy Sector Office, Sectors Department 1 (SD1-ENE) Emaad A. Siddiqui, Principal Investment Specialist, Portfolio Management Division, Private Sector Operations Department Tron Andre Svanes, Energy Specialist, SD1-ENE Joel Syquia, Principal Public Sector Specialist, SD3-PSMG Eisuke Tajima, Principal Education Specialist, Human and Social Development Sector Office, Sectors Department 3 Adnan Tareen, Principal Energy Specialist, SD1-ENE Asad Ali. Zafar, Lead Project Officer (Water Resources), SD2-AFNR Yaozhou Zhou, Principal Water Resources Specialist, SD2-AFNR
Peer reviewers	Çiğdem Akin, Director, SD3-PSMG Takeo Koike, Head, OMDP

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COUNTRY AT A GLANCE

Economic	2020	2021	2022	2023	2024
GDP ($ billion, current)	717	808	906	1,130	1,322
GDP per capita ($, current)	8,600	9,601	10,659	13,243	15,463
GDP growth (%, in constant prices)	1.9	11.4	5.5	5.1	3.2
Consumption (annual % change)	3.0	13.0	16.3	11.9	3.3
Investment (annual % change)	7.3	7.2	1.3	8.4	3.9
Consumer price index (annual % change)	12.3	19.6	72.3	53.9	58.5
Overall fiscal surplus (deficit) (% of GDP)	(2.9)	(2.4)	(1.1)	(5.2)	(4.9)
Total revenue (% of GDP)	29.6	27.9	25.3	27.8	29.0
Tax revenue (% of GDP)	16.9	16.4	15.9	17.2	17.0
Merchandise export ($) growth (annual % change)	(7.6)	33.4	12.8	(0.9)	2.6
Merchandise import ($) growth (annual % change)	3.7	23.1	35.0	(1.7)	(7.0)
Current account balance (% of GDP)	(4.3)	(0.8)	(5.1)	(3.5)	(0.8)
External debt (% of GDP)	59.0	52.9	49.5	43.4	39.0
General government gross debt (% of GDP)	39.4	40.4	30.8	29.3	24.7
Reserves ($ million)	93,589	111,181	128,736	140,884	155,156
Average exchange rate ($/local currency unit)	7.0	8.9	16.6	23.7	32.8

Poverty and Social	2018	2023	
Population (million)	82.0	85.7	[2024]
Population growth (annual % change)	1.5	0.3	[2024]
Unemployment rate	10.9	8.7	[2024]
Population with access to electricity (%)	100.0	100.0	
Maternal mortality ratio (per 100,000 live births)	13.6	13.5	[2023]
Infant mortality rate (below 1 year/per 1,000 live births)	9.3	9.0	[2024]
Life expectancy at birth (years)	78.3	77.3	
Number of years of schooling	19.0	19.8	
Completion rate for primary education	91.0	101.5	[2024]
Child malnutrition (% below 5 years old)	1.5	…	
Population below poverty line (%)	13.9	13.6	[2024]
Proportion of population using safely managed drinking water services	96.7	97.0	[2022]
Proportion of population using (i) safely managed sanitation services, and (ii) a handwashing facility with soap and water	98.1	99.2	[2022]

Environment	2018	2023	
Carbon dioxide emissions (tons)	414,112	407,406	[2020]
Carbon dioxide emissions per capita (tons)	5.1	4.9	[2020]
Forest area (million hectares)	21.9	22.5	[2022]
Urban population (% of total population)	75.1	77.5	
Renewable energy share in total final energy consumption	11.8	12.0	[2021]

ADB Portfolio (active loans and ADF grants)[a]	**As of 31 December 2024**
Total number of loans and ADF grants	
Sovereign	0
Nonsovereign	0
Total loan and ADF grant amount ($ million)[b]	
Sovereign	0
Nonsovereign	0
Disbursements, sovereign	
Disbursed amount, total ($ million)	0
Disbursed amount, excluding PBL ($ million)	0
Disbursement ratio, excluding PBL (%)	0

… = not available, ( ) = negative, [ ] = latest year for which data are available, ADB = Asian Development Bank, ADF = Asian Development Fund, GDP = gross domestic product, PBL = policy-based lending.

[a] Covers ADF and ordinary capital resources financing for projects and programs, including PBL, unless otherwise stated.

[b] Net of droppages and cancellation.

Sources: Turkish Statistical Institute; Central Bank of the Republic of Türkiye; World Bank. 2025. *World Development Indicators*; United Nations Development Programme; Türkiye Ministry of Treasury and Finance; Turkish Treasury; ADB estimates; and Haver Analytics (accessed 16 June 2025).

I. COUNTRY PARTNERSHIP STRATEGY SNAPSHOT

1. **Key development challenges.** Türkiye's economy is the fourth largest among regional member countries of the Asian Development Bank (ADB), with a gross national income (GNI) using the Atlas method of just over $1.1 trillion (2024).[1] Its GNI per capita of $13,150 (2024) is at similar levels to other ADB group C3 member countries.[2] While real gross domestic product (GDP) growth during 2002–2024 averaged 5.4%, the growth trajectory has faced volatility because of multiple factors, including natural hazards and geopolitical tensions. Türkiye was one of the few major economies that avoided contraction in 2020 during the coronavirus disease (COVID-19) pandemic, growing by 1.9%. This growth was supported by strong credit expansion through state-owned banks. Rising global energy prices, economic fallout from the COVID-19 stimulus, and a monetary policy of lowering interest rates in late 2021 until the general elections in May 2023, amid global monetary tightening, resulted in the annual average inflation spiking to 53.9% in 2023. The Turkish lira depreciated sharply, and the banking sector was strained. In February 2023, Türkiye experienced three massive earthquakes that affected 11 provinces, resulting in over 55,000 fatalities and heavily damaged infrastructure. Earthquake reconstruction spending contributed to fiscal pressures. Macroeconomic stabilization efforts, including a return to tighter monetary policy since June 2023, are bearing favorable outcomes. Türkiye's economy is highly diversified, with a vibrant private sector. However, the contribution of total factor productivity to growth has progressively declined, and firm-level productivity has stagnated (in manufacturing) or declined (in construction and services). While the manufacturing base shifted from traditional areas (agriculture and textiles) toward medium- and high-technology industries (automotives, electronics, chemicals, and machinery), it has yet to translate into high-technology exports. Although gender gaps narrowed in the past 2 decades in education and health, gender disparity remains in women's participation in the labor force, with the men's rate at 70.9% compared with 36.5% for women in May 2025. In addition, Türkiye is among the most disaster-prone countries, facing hazards like earthquakes, floods, landslides, wildfires, and droughts.

2. **ADB's strategic objectives and priorities.** As ADB begins operations in Türkiye, this interim country partnership strategy (ICPS), 2025–2027 will serve as the initial strategic anchor for all ADB operations in the public and private sectors, technical assistance (TA) grants, country analytical work, and policy dialogue. The strategic objective of the ICPS, 2025–2027 is to build a vibrant ADB–Türkiye partnership through people-centered public and private sector solutions. The ICPS has two strategic pillars. The pillar on resilience will have ADB operations to (i) support resilient earthquake recovery, and climate- and disaster-resilient infrastructure; (ii) reduce economic, fiscal, and financial vulnerability and develop high-quality human capital; and (iii) enhance water, food, and energy security. The pillar on regional connectivity will have ADB operations to (i) position Türkiye as a transport, energy, and digital hub; and (ii) Middle Corridor development that largely coincides with the Central Asia Regional Economic Cooperation (CAREC) Corridor 2, complementing ADB's regional cooperation and integration (RCI) efforts. Activities will contribute to selected regional public goods, in addition to improving regional transport connectivity, including in the eastern part, and strengthening regional energy trade.

3. **Alignment with the government's development priorities.** Türkiye's Twelfth Development Plan, 2024–2028 provides the anchors for the ICPS and is part of its long-term

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[1] World Bank. World Development Indicators (accessed 26 August 2025)

[2] ADB group C3 member countries have per capita GNI that exceeds the graduation discussion benchmark set by the International Bank for Reconstruction and Development (IBRD) and used by ADB. They have adequate creditworthiness and are typically upper middle-income countries (UMICs), but have not yet reached the point of graduating from ADB support. These countries are eligible for regular ordinary capital resources loans only.

vision until 2053.[3] The plan has five priorities: (i) stable growth and a robust economy, with an emphasis on manufacturing exports-led growth; (ii) competitive production through green and digital transformation; (iii) human capital development and inclusiveness; (iv) disaster-resilient habitats and a sustainable environment; and (v) good governance. ADB's operations will contribute to each of these five priorities.

4. **Contributions to ADB's Strategy 2030.** The Türkiye program will significantly contribute to ADB's enhanced focus areas until 2030.[4] ADB's disaster risk management support will be sizeable, multi-hazard, and holistic. A healthy mix of public and private sector loans is anticipated. ADB's engagement with municipalities or other local entities will promote a shared understanding of lending to local administrations. ADB investments in transport, the circular economy, manufacturing, energy, and digital infrastructure along the Middle Corridor, which largely coincides with the CAREC Corridor 2, will support regional connectivity.

5. **ADB's value addition.** Achieving scale and maximizing value addition will be two crucial considerations for all ADB operations in Türkiye, an upper middle-income country (UMIC). ADB will ensure that ADB's public and private sector operations provide consistent, complementary, or integrated support in areas like small and medium-sized enterprises (SMEs) development, capital markets, resilient agriculture value chains, energy transition, high-quality human development, digital development, industrial and technology parks, municipal infrastructure, and finance. Upstream engagement by the ADB sector teams will strengthen the design of projects and ensure value addition. ADB will support Türkiye's potential membership of the CAREC program, entailing benefits for Türkiye through access to regional initiatives and channeling learning from the development experiences of Türkiye to other member countries.

II. COUNTRY DEVELOPMENT CONTEXT

6. **Robust growth marked by volatility.** Türkiye's real GDP growth from 2002 to 2024 averaged 5.4%, driven by strong domestic demand, expanding exports, and government investments. However, the growth trajectory is marked by volatility, including geopolitical tensions and earthquake damage, with the coefficient of variance of Türkiye's growth during 2003–2023 at 14.9 compared with the UMIC average of 5.0.[5] At the end of the 1990s, the economy was dominated by state-owned enterprises (SOEs) with external debt levels at unsustainable levels and high interest rates.[6] Türkiye undertook structural reforms after a banking crisis in 2001 when GDP contracted by 5.8%. These included privatization, improving public financial management, banking supervision, social security reforms, and making the central bank responsible for inflation targeting in 2006 that resulted in bringing down 3 decades of high inflation to less than 10%.[7] The economy suffered a contraction in GDP of 4.8% in 2009 due to a drop in external demand and capital inflows during the global financial crisis, but staged a sharp recovery, and until 2016, Türkiye's sovereign credit was investment grade. It has since faced challenges including the COVID-19 pandemic stretching short-term spending and development expenditures.

7. **Private consumption and the services sector have driven growth.** On the demand side, private consumption—fueled by credit growth and wage increases, expanding export

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[3] Presidency of Strategy and Budget. 2024. *Twelfth Development Plan 2024-2028.*

[4] ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Prosperous Asia and the Pacific*.

[5] ADB. *Türkiye Graduation Criteria Assessment.* Unpublished. 2025

[6] World Bank. 2023. *Türkiye Public Finance Review: Leveraging Fiscal Resources for Stability and Resilience*.

[7] International Monetary Fund (IMF). 2007. Turkey: 2007 Article IV Consultation—Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Turkey. *IMF Country Report*. No. 362.

performance, and government investments—has contributed to GDP growth. Private consumption is the largest contributor to GDP (59%) but has been constrained by high inflation, as while private consumption increased by 18.9% in 2022, it fell by 13.6% in 2023 and then by 3.7% in 2024. On the supply side, the services sector is the largest contributor to GDP, accounting for 56.8% of GDP in 2024 and 57.9% of the total employment.[8] Industry, including construction, contributed 25.9% of GDP in 2024, with 27.3% of the total employment, mainly in manufacturing and export-driven activities. Construction rebounded in 2023 and 2024 after the February 2023 earthquakes. While agriculture accounted for 5.6% of GDP in 2024 and 14.8% of the country's total employment, it is crucial for food security. GDP growth slowed to 3.2% in 2024 and is projected to decline to 2.7% in 2025 before rising to 3.2% in 2026 and 3.4% in 2027.[9]

8. **Resilience to COVID-19 pandemic and earthquake impacts.** Türkiye was one of the few major economies that avoided contraction in 2020 during the COVID-19 pandemic, growing by 1.9%. This growth was supported by strong credit expansion through state-owned banks. On 6 February 2023, Türkiye experienced three massive earthquakes that affected 11 southeastern provinces resulting in over 55,000 deaths, 107,000 injuries, displacement of 2.7 million people, destruction of 1.9 million houses, as well as heavily damaged infrastructure.[10] The government allocated $5.3 billion in relief spending, fueling reconstruction demand and contributing to Türkiye's 5.1% GDP growth in 2023.[11] The country faced higher fiscal deficits, which widened to 5.2% of GDP in 2023 from 1.1% in 2022, driven by earthquake reconstruction spending. If earthquake expenditure at 3.6% of GDP in 2023 is excluded, the budget deficit is 1.6%.[12]

9. **Positive effects of macroeconomic stabilization efforts.** High inflation in Türkiye has been due to a combination of factors such as rising energy prices during 2021–2022, economic fallout from the COVID-19 pandemic stimulus, and a monetary policy of lowering interest rates in late 2021 amid the global monetary tightening.[13] Stabilization efforts, based on tighter monetary and fiscal policies after the May 2023 elections, are ongoing. The policy rate was gradually increased by the Central Bank from 8.5% in May 2023 to 50.0% in March 2024, and most recently, eased to 43.0% on 24 July 2025. Inflation is projected to fall from 58.5% in 2024 to 35.9% in 2025 and further to 22.8% in 2026 and 16.5% in 2027 (footnote 9). Private consumption, which is the largest contributor to GDP on the demand side, is to remain constrained in 2025. Türkiye faced a current account deficit of 5.1% of GDP in 2022, driven by high energy prices and strong domestic demand. However, this deficit reduced to 3.5% of GDP in 2023 and fell to 0.8% of GDP in 2024 because of reduced commodity prices, buoyant exports, and lower domestic demand. Travel and tourism revenues, which reached $56.3 billion in 2024, also narrowed the deficit. The current account balance is expected to remain at 1.2% of GDP from 2025 to 2027, with low domestic demand and a higher contribution of net exports (footnote 13). A rebound in capital inflows with the ongoing macroeconomic stabilization efforts is expected to help rebuild reserves. Türkiye was the only country to receive credit rating upgrades in 2024 from the three major rating agencies.[14]

10. **Fiscal stance tightened since earthquake reconstruction efforts.** In 2023, Türkiye's fiscal deficit rose to 5.2% of GDP because of earthquake relief and other fiscal expenditures, before decreasing to 4.9% of GDP in 2024. The government plans to reduce it to 3.1% by 2025

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[8] Turkish Statistical Institute; Haver Analytics (accessed 7 July 2025).
[9] IMF. 2025. *World Economic Outlook: A Critical Juncture Amid Policy Shifts.*
[10] ADB. 2025. *Sector Assessment: Water and Other Urban Infrastructure and Services*. Unpublished.
[11] ADB. 2025. *Sector Assessment (Summary): Public Sector Management and Governance.* Unpublished.
[12] Presidency of Strategy and Budget. 2024. *Medium-Term Program (2025–2027)*.
[13] IMF. World Economic Outlook Database: April 2025 Edition. (accessed 7 July 2025).
[14] Fitch Ratings. 2024. *Türkiye Rating Report, September 2024*. In 2024, Türkiye received credit rating upgrades from all three major agencies: Fitch Ratings, Moody's Investors Service, and S&P Global Ratings.

(footnote 12). Achieving this target will depend on spending cuts, improved tax collection, and revenue enhancement measures, such as an increase in corporate income tax and value-added tax, the introduction of a minimum corporate income tax for multinational corporations, and special consumption taxes on petroleum products.[15] Besides seismic risks, climate-related fiscal risks are a significant concern, although Türkiye has ambitious plans to achieve net zero emissions by 2053 and increase adaptation actions across different sectors. General government debt stock, as defined by European Union (EU) standards, was low at 29.3% of GDP in 2023 and is expected to decrease further. However, borrowing costs have risen, and two-thirds of the central government debt stock is in foreign currency, posing exchange rate risks. Nonetheless, by the end of 2024, general government debt declined to 24.7% of GDP, and the share of foreign currency-denominated debt in the central government debt stock also decreased to 56%.

11. **High exposure and vulnerability to natural hazards.** Türkiye experiences regular and devastating earthquakes, floods, landslides, wildfires, and droughts.[16] Since 1985, 123 disaster events have been recorded, resulting in economic losses exceeding $84 billion and the loss of 74,530 lives. Some 93.4% of the estimated economic losses and 98% of all lives lost are attributed to earthquake events.[17] The scale of destruction from the 2023 earthquakes, 2021 floods in the Black Sea, and wildfires in the Mediterranean regions indicate that challenges remain to reduce risk and enhance disaster preparedness and response capabilities. In its 2023 updated nationally determined contribution, Türkiye committed to reducing emissions by 41% by 2030 compared with a business-as-usual case with 2012 as the base year, but more steps on decarbonizing the power sector and sustainable forest management are needed. An emissions trading system aligned with the EU is planned, which will help Türkiye avoid carbon border charges on items like steel, aluminum, and cement from 2026.[18]

12. **Sustained progress in poverty reduction over the medium term.** The share of the total population below the international UMIC poverty line of $8.30 in 2021 purchasing power parity terms is estimated to have decreased from 16.7% in 2017 to 10.8% in 2022.[19] According to official data, Türkiye's relative poverty rate in 2024 was 13.6% (i.e., people with incomes below 50% of the median household income per equivalized household size). The average household income available for saving or spending adjusted for household size was TL187,728 in 2024, with a wide variation between the Istanbul region and the eastern and southeastern regions.[20] A substantial share of wages is at the minimum wage level. About 43% of formal workers in non-agricultural sectors earn salaries at or below the minimum wage (footnote 15). The Gini coefficient was 0.413 in 2024, a decrease of 0.007 points compared with 2023. When excluding social transfers, the Gini coefficient rises to 0.476, underscoring the role of social transfers.[21]

13. **High levels of human development achieved.** As GDP growth more than doubled per capita income, it significantly reduced poverty and enabled access to schooling and primary health care, as well as health care coverage and financial protection. These gains placed Türkiye in the *very high* human development category of the Human Development Index, although

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[15] IMF. 2024. *Republic of Türkiye: 2024 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for the Republic of Türkiye*. *IMF Country Report*. No. 312.
[16] ADB. 2025. *Disaster Risk Management Note: Türkiye*. Unpublished.
[17] Centre for Research on the Epidemiology of Disasters, Université Catholique de Louvain. EM-DAT: The International Disaster Database (accessed 27 February 2025).
[18] World Bank. 2024. *Türkiye Systematic Country Diagnostic: The Path Towards High-Income*.
[19] World Bank. 2025. Poverty and Inequality Platform (accessed 11 August 2025).
[20] Turkish Statistical Institute. 2024. Income Distribution Statistics 2024.
[21] The monthly minimum wage was increased twice in 2023: first in January by more than 50% from TL5,500 to TL8,506 and then in July by 34% from TL8,506 to TL11,402. In 2024, this rose by 49% to TL17,002 (annual inflation at 44.7% forward indexation). In January 2025, it was raised by a further 30% to TL22,104.

disparities persist in gender equality and income distribution.[22] Maternal mortality declined to 13.5 deaths per 100,000 live births in 2023 from 18.4 in 2009.[23] Meanwhile, infant mortality stood at 9 per 1,000 live births in 2024, down from 13.9 per 1,000 live births in 2009.[24] The country hosted 1.5 million health tourists in 2024, underscoring Türkiye's prominence in medical tourism.[25] However, access to hospital infrastructure is uneven with bigger cities having better access compared to parts of the southeast and western regions.[26] Türkiye shows ongoing demographic shifts that have implications for its long-term development. While the overall age dependency ratio remained steady at 46%, the older persons dependency ratio increased to 15.5%, suggesting growing pressure on health care and pension systems.[27] Türkiye's social protection expenditures in 2023 accounted for 10.1% of GDP. Of this, 98.2% went toward social protection benefits, with benefits for older persons being the largest category. Means-tested benefits made up 13.3% of the total, while cash benefits comprised 63% of all benefits, mainly for older persons (70.1%).

14. **Vibrant private sector with focus on productivity.** Türkiye's economy is highly diversified, with its vibrant private sector maintaining a share in total employment of 80%–84%.[28] However, the average contribution of total factor productivity to growth during 2016–2022 is estimated at 0.4 percentage points compared with 1.2 percentage points during 2004–2015 (footnote 18). Besides the few standout industries like automotives, basic metals, apparel, and textiles, Türkiye's firm-level productivity has stagnated (manufacturing) or declined (construction and services) since the 2009 global financial crisis. Productivity growth has been sluggish because of structural issues like overreliance on low-wage, low-skill labor in certain sectors and insufficient investment in research and development. The Twelfth National Development Plan, 2024–2028 focuses on export-led manufacturing as the growth pathway. It prioritizes seven segments, with targets for raising the share of these in manufacturing-led exports from 38% (2023) to 46% (2028), the share of medium–high technology in manufacturing-led exports from 37% (2023) to 44% (2028), and high technology exports from 3.7% (2023) to 5.5% (2028).[29]

15. **Manufacturing has transformed and ongoing thrust to raise productivity.** Türkiye's manufacturing sector has undergone transformation, especially since the establishment of the Customs Union with the EU in 1995.[30] This changed the policy environment in Türkiye and enabled manufacturing firms in the country to participate in the global value chains. The acceleration of industrialization went in tandem with the liberalization of trade and investment. While the manufacturing base saw a gradual shift from traditional sectors (textiles and food processing) toward medium- and high-technology industries (automotive, electronics, chemicals, and machinery), it has not extended to high-technology exports.[31] Employment in manufacturing in Türkiye is higher than the EU average, but the share of employment in medium- and high-

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[22] United Nations Development Programme. Türkiye Country Note.

[23] Government of the Republic of Türkiye, Ministry of Health. 2011. *Health Statistics Yearbook 2009*; and Government of the Republic of Türkiye, Ministry of Health. 2025. *Health Statistics Yearbook 2023*.

[24] Turkish Statistical Institute. 2025. Death and Causes of Death Statistics, 2024 (accessed 11 August 2025).

[25] Turkish Statistical Institute. 2025. Tourism Statistics, Quarter IV: October–December and Annual, 2024.

[26] ADB. 2025. *Sector Assessment: Human Development: Education, Health, Social Development.* Unpublished. Data from 2023 show that Türkiye had 3.1 hospital beds per 1,000 people, below the Organisation for Economic Co-operation and Development (OECD) average of 4.3, contributing to hospital overcrowding and long wait times.

[27] Turkish Statistical Institute. 2025. *The Results of Address Based Population Registration System, 2024*. The working-age population (aged 15–64) increased to 68.4% of the total population in 2024 from 66.5% in 2007. During the same period, the child population (aged 0–14) fell from 26.4% to 20.9% and the population of older persons (aged 65 and above) rose from 7.1% to 10.6%. These changes reflect a steadily aging population and a decline in fertility rates.

[28] European Commission. 2024. *Türkiye 2024 Report*.

[29] The sectors are chemicals, pharmaceuticals, medical devices, electronics, machinery, electrical equipment, automotives, and rail system vehicles.

[30] OECD. 2023. *Realising the Potential of the Middle Corridor*.

[31] European Bank for Reconstruction and Development (EBRD). 2024. *Türkiye Country Diagnostic 2024*.

technology manufacturing is significantly lower. While ranking third among 34 UMIC economies in the Global Innovation Index, Türkiye has seen recent drops in scientific publications, research and development investments, and access to venture capital. The innovation ecosystem, which links government, industry, and research institutions, is rapidly evolving.[32] Industrial zones need to be equipped with modern infrastructure, efficient logistics networks, and specialized facilities.

16. **Capital markets strengthened and further scope for private sector development.** A more stable policy environment and increased investor confidence since mid-2023 have strengthened capital markets. By July 2025, total market capitalization reached $331.4 billion, reflecting strong equity market performance.[33] Türkiye's resilient finance 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. The banking sector is well capitalized at 17.5% as of May 2025. However, banks' capital is vulnerable to local currency devaluation. The sukuk market has grown steadily (Türkiye is the fourth largest sukuk issuer globally), with cumulative issuances reaching TL359 billion from 2010 to 2023.[34] The insurance sector experienced more than 70% growth year on year in 2024, with total premiums reaching TL838.5 billion, but this is still low.[35] While women have been brought into the formal finance sector, the gender gap on access to financial services was 20% in 2024, with 72% of women owning formal accounts.[36] The lack of or intermittent access to long-term local currency financing is a primary hurdle for SMEs, which employ 70.5% of the labor force.[37]

17. **Improved educational outcomes, but gaps persist.** While Türkiye has made significant strides toward achieving near-universal access to primary and secondary education, completion rates lag—especially at the upper secondary levels. For the 2023/24 school year, net enrollment rates were 95% for primary, 91.5% for lower secondary, and 88% for upper secondary education.[38] During 2017–2024, Türkiye saw notable improvements in school completion rates at the upper secondary level, where it rose from 65.1% to 81.3%. While these figures indicate progress, nearly 20% of students still do not complete upper secondary levels. Students in urban areas consistently outperform their peers in less developed eastern and southeastern regions.[39] The vocational education and training system has undergone reforms, but infrastructure and equipment challenges persist in rural areas, limiting the ability of the vocational education and training institutions to provide up-to-date hands-on training. While digital skills are a priority, integration into the curriculum is inconsistent.[40]

18. **Low labor force participation of women and high youth unemployment.** The labor force participation rate was 53.5% (male: 70.9%, female: 36.5%) in May 2025, and the gender gap is wide.[41] While Türkiye has narrowed gender gaps in the past 2 decades, especially in

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[32] World Intellectual Property Organization. 2025. Türkiye Ranking in the Global Innovation Index 2024. Türkiye has two clusters—Istanbul and Ankara—in the top 100 science and technology clusters of the Global Innovation Index.

[33] ADB. 2025. *Sector Assessment (Summary): Finance*. Unpublished.

[34] Sukuk refers to an investment certificate that is compliant with Islamic financing principles. An overarching principle in Islamic finance is that transactions need to be grounded in real productive economic activities.

[35] Insurance Association of Türkiye. 2024. *Insurance Sector Performance Report*.

[36] World Bank. Global Findex Database (accessed 4 August 2025).

[37] Turkish Statistical Institute. 2024. Small and Medium Sized Enterprises Statistics 2023. SMEs are firms with fewer than 250 employees and annual turnover less than TL500 million, Türkiye had 3.7 million registered SMEs in 2023, comprising micro firms (90.7%), small firms (7.8%), and medium-sized firms (1.2%).

[38] Government of the Republic of Türkiye, Ministry of National Education. 2024. *National Education Statistics: Formal Education, 2023/24*.

[39] OECD. 2023. *PISA 2022 Results: Factsheets—Türkiye*.

[40] European Training Foundation. 2025. *Key Policy Developments in Education, Training and Employment: Türkiye*.

[41] Turkish Statistical Institute. 2025. *Labor Force Statistics*, May 2025.

education and health, persistent gender disparities remain in women's participation in the labor force.[42] The lack of support systems such as affordable childcare, flexible work arrangements, and inclusive workplace policies exacerbates this. The National Strategy and Action Plan for Women's Empowerment, 2024–2028 has five policy priorities: education, health, economic empowerment, participation in leadership and decision-making, and environment and climate change for empowering women.[43] The seasonally adjusted youth unemployment rate (aged 15–24) in May 2025 decreased to 15.4% (male: 11%, female: 23.5%). Female youth are more than twice as likely to be unemployed as male youth. Youth unemployment is high mainly because of skills mismatches with labor market needs, with wide gender gaps.

19. **Regional connectivity is a key policy imperative.** Türkiye provides the link through the Middle Corridor from the EU to the People's Republic of China.[44] It is also covered by the EU Trans-European Transport Network and the Transport Corridor for Europe–Caucasus–Asia. Disparities in legal and regulatory frameworks governing trade and transit requirements across Middle Corridor countries and insufficient multimodal transport infrastructure have increased transit times.[45] A road map was signed in November 2022 between Azerbaijan, Georgia, Kazakhstan, and Türkiye, listing priority investments and actions needed to improve the Middle Corridor. In the Logistics Performance Index, Türkiye ranked 38th out of 139 economies in 2023 with a score of 3.4, increasing its ranking in all dimensions except quality of trade and transport infrastructure. The government's 30-Year Transport and Logistics Master Plan of April 2022 aims to improve transport and logistics infrastructure. While significant investments in its road network are expected, it plans to reduce the share of roads in freight transport from 72% in 2019 to 57% by 2053 and increase the share of rail freight from 3% in 2019 to 22% by 2053.[46]

20. **Investment gap and targeted priorities in transport infrastructure.** The investment gap for infrastructure development in Türkiye is about $405 billion for 2022–2040.[47] Of this, roads account for $335 billion, railways $19 billion, airports $0.66 billion, the energy sector $48 billion, and water transport $2.2 billion (footnote 47). Despite significant development, Türkiye's road network requires improvements in regional connectivity and resilience to natural hazards. Road safety is a major concern as the number of traffic accidents involving death or injury increased by 45% from 2013 to 2023.[48] A systemic problem facing Turkish State Railways is a lack of fleet and personnel to carry out operations effectively, especially in freight. About 52% of the network is electrified and 58% is signalized.[49] The Turkish railway network has historically lacked last-mile connectivity to industrial sites. Support on decarbonization of transport is needed.

21. **Energy security and transition guide infrastructure investments.** Rapid economic and population growth in Türkiye over the past 2 decades have driven strong growth in energy

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[42] ADB. 2025. *Turkiye: Rapid Gender Assessment.* Unpublished.

[43] Government of the Republic of Türkiye. Ministry of Family and Social Services. 2024. Kadının Güçlenmesi Strateji Belgesi ve Eylem Planı (Strategy and Action Plan for Women's Empowerment) (2024-2028).

[44] The Middle Corridor is a multimodal link connecting the People's Republic of China to Europe by rail and short sea shipping crossing the Caspian Sea to Baku and then over Azerbaijan and Georgia by rail to continue by rail to Europe through Türkiye or crossing the Black Sea. The CAREC Corridor 2 connects East Asia with the Caucasus, Mediterranean, and southern Europe. It was revised in 2017 after Georgia joined the CAREC program in 2016. The corridor extension to Georgia expands the CAREC multimodal network connectivity to the Black Sea ports and the land border with Türkiye.

[45] World Bank. 2023. *Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030*.

[46] Government of Republic of Türkiye. Ministry of Transport and Infrastructure. *2053 Transport and Infrastructure Plan*.

[47] Presidency of Republic of Türkiye Investment Office. 2025. *Investing in Infrastructure and PPP Projects in Türkiye*.

[48] ADB. 2025. *Sector Assessment: Transport.* Unpublished.

[49] Turkish State Railways. Annual Statistics 2020–2024.

demand and import dependency. The total installed power capacity in 2024 was 115 gigawatts (GW), including coal (21.9 GW), gas (21.3 GW), hydropower (32.2 GW), wind (12.9 GW), and solar (19.9 GW), with other sources accounting for the rest. Türkiye plays a crucial role in regional energy dynamics. At the same time, it faces four sets of issues on energy transition.[50] The first relates to the coal- and gas-dominated energy mix. Despite adding substantial renewable energy capacity (it holds a 56% share in the energy mix as of 2024), coal continues to be the most dominant base-load option, presenting a challenge to decarbonization efforts. The second issue is the 74% share of imports in meeting Türkiye's energy demand, exposing the country to supply risks and price volatility in global energy markets.[51] This not only affects energy security, but also has significant implications for the country's trade balance and macroeconomic stability. The third issue is grid integration and flexibility. As Türkiye increases its share of variable renewable energy sources, grid integration becomes a challenge, with lack of new grid connection capacity a technical barrier to new wind and solar installations. The fourth issue is energy efficiency, where policy incentives and financing are needed to improve system efficiency and conservation.

22. **High urbanization and effects of agglomeration.** Türkiye has seen a rise in urbanization as 78% of the population lived in urban areas in 2024, up from 32% in 1960. [52] It has successfully harnessed the economic and social benefits of agglomeration at a significant pace and scale. This has been achieved through a layering of reforms that include liberalizing the economy, strengthening metropolitan municipalities, allowing a permissive tenure regime for rural–urban migrants, increasing the affordable housing supply by improving access to finance and partnering with the private sector, extending support to fiscally constrained localities to increase access to municipal services, and promoting efficiency through market-based pricing of municipal services. [53] However, municipalities face challenges because of fiscal constraints, rapid urbanization, and regional disparities. Regional disparities reflect the concentration of wealth in metropolitan areas, making it harder for local administrations in disadvantaged regions to attract investments and maintain quality and efficient municipal services. These issues were exacerbated by the impact of the 2023 earthquakes, which resulted in substantial human, infrastructure, and economic losses. Urban infrastructure and building vulnerability to earthquake and climate change risks is a critical resilience issue, including more developed regions like Marmara. About 70% of the country's population, 76% of its industrial facilities, and the three largest cities—Istanbul, Izmir, and Bursa—are all located in high seismic hazard areas.[54]

23. **Regional disparities reduction remains a continued thrust.** Türkiye has implemented long-standing policies and programs to reduce regional disparities. Despite these, developed regions like Istanbul, Marmara, and Aegean benefit from advanced infrastructure, high levels of industrialization, agglomeration, and access to global markets. Türkiye's most disadvantaged provinces are in the eastern and southern regions where employment opportunities are limited.[55] Export performance is heavily concentrated in the most developed regions. From 2013 to 2022, Türkiye's exports grew from $161.5 billion to $254.2 billion, reflecting its increasing integration into global markets. Istanbul accounted for half of it. Data from 2023 show that while the employment rate was 39.8% in Southeast Anatolia, it was 61.5% in West Marmara. This is a 21.7

[50] ADB. 2025. *Sector Assessment: Energy.* Unpublished.

[51] In 2022, when global energy prices peaked, Türkiye's total energy imports surged to $96.5 billion. Although they decreased to $66 billion in 2024, energy imports remain a substantial burden on the national economy.

[52] World Bank. World Development Indicators. Urban population (% of total population) - Turkiye | Data.

[53] World Bank. 2015. *Rise of the Anatolian Tigers: Turkey Urbanization Review*.

[54] World Bank. 2019. *Building Resilience in Turkey: Quantifying Climate and Disaster Risks to Critical Infrastructure, Lifelines and Agriculture in Turkey: New Approaches*.

[55] Turkish Statistical Institute. 2025. Human Development Index at Provincial Level, 2018–2022.

percentage-point difference above the average OECD regional dispersion of 10.[56] In 2001, Türkiye aligned regional development efforts with the EU's regional development acquis and adopted the Nomenclature of Territorial Units for Statistics system classifying 12 level 1 regions, 26 level 2 regions, and 81 level 3 provinces that has informed customized programs.[57]

24. **Agriculture marked by low productivity and high vulnerability to climate risks.** Increasing climate risks, such as drought, heat waves, and desertification—combined with aging infrastructure, water scarcity, labor shortages, and limited access to finance and advisory services—undermine agricultural productivity, resilience, and food security. Despite Türkiye's strengths as the seventh largest agricultural producer globally and as a regional hub for crop production, processing, and exports to markets in Europe and the Middle East, it faces multiple challenges.[58] Türkiye is expected to experience increased frequencies and intensities of heat waves and drought, which could result in higher groundwater usage, raised fire triggering conditions, and a higher incidence of pest and disease infestations.[59] These require greater sustainable land management strategies and climate-smart agriculture practices. Türkiye's agriculture is heavily dependent on irrigation, which triples productivity compared with rain-fed agriculture and provides resilience of steady production and food security. However, irrigation is characterized by low-performing systems based on open channel systems that contribute to losses. More than two-thirds of the 25 river basins face water scarcity. Further, about 74% of Türkiye's land, particularly in the central, eastern, and southeastern regions, is moderately to highly prone to desertification. The agriculture sector has been experiencing labor shortages because of the aging rural population and rural exodus.[60] Promoting financial literacy and developing integrated agricultural advisory services through digital extension platforms could increase access to finance and risk instruments and raise productivity. Steps are being taken to improve food safety mechanisms by enhancing the laboratory and certification infrastructure and aligning the local food safety system with International Food and EU standards.

25. **ADB graduation criteria assessment.** As Türkiye's GNI per capita exceeds the graduation discussion benchmark set by the International Bank for Reconstruction and Development (IBRD) ($7,895 in 2023 prices), ADB conducted a graduation readiness assessment (footnote 5). While Türkiye has access to international capital markets, ADB support could have a catalytic effect for more investments. Assistance to key economic and social institutions could foster further inclusive, resilient, and sustainable economic growth. Areas of engagement by development partners are broad-based, covering earthquake reconstruction, agriculture, food and water security, renewable energy, infrastructure, and human capital development. ADB assistance on earthquake recovery, disaster risk management, and climate adaptation could contribute to holistic solutions. Further, human capital development and enhanced female labor force participation are needed to reinforce productivity, reduce uneven income distribution, and support inclusive growth. ADB would need to coordinate with partners like the World Bank and the European Bank for Reconstruction and Development (EBRD) through active collaboration, shared learning, and co-financing, to avoid duplication and maximize impact.

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[56] OECD. 2024. *Job Creation and Local Economic Development 2024—Country Notes: Türkiye*. 28 November.

[57] The EU acquis is a collection of common rights and obligations that constitute the body of EU law, and is incorporated into the legal systems of member states. Applicant countries need to accept the acquis before they join the EU.

[58] ADB. 2025. *Sector Assessment: Agriculture, Natural Resources, Food, and Rural Development.* Unpublished.

[59] F. Höllinger and B. Ş. Şener. 2025. *Digital Technologies for Agriculture in Türkiye: A Review*. *Country Investment* Highlights. No. 25. Food and Agriculture Organization of the United Nations.

[60] M. Direk. 2024. *Türkiye's Agriculture: Challenges, Risks, and Strategies*. *The Agriculture Economist.* 9 July.

III. COUNTRY STRATEGY FRAMEWORK

A. National Development Strategy

26. The country's Twelfth Development Plan, 2024–2028, which forms the basis of ADB's ICPS and has five policy priorities, is the first planning period of the long-term vision until 2053 (footnote 3). The plan prioritizes stable growth and a strong economy, with an emphasis on manufacturing-led export growth. Related 2028 targets include raising the share of the manufacturing industry to 22.8% of GDP and raising the volume of manufacturing exports to $356 billion, including increasing the contribution of medium–high and high-technology industry. Under the policy priority on competitive production through green and digital transformation, seven manufacturing segments are targeted (chemicals, pharmaceuticals and medical devices, electronics, machinery, electrical equipment, automotives, and rail system vehicles), as well as four priority development areas (including agriculture and food, energy, and tourism).

27. On human capital development and inclusiveness, the focus covers improving youth employment; raising the labor force participation rate of women; and enhancing the access to and quality of education and training, and health and social protection outcomes to populations in the lagging regions in the southern and southeastern parts of Türkiye. Under disaster-resilient living areas and a sustainable environment, the focus is on disaster management, urban transformation, and environmental protection. Good governance based on the rule of law covers a regulatory impact assessment of the public sector, evidence-based policymaking, promoting civil society organizations, and e-government solutions including an e-government gateway for municipalities.

B. Lessons from Other Development Partners

28. The ICPS is based on the findings of multiple country and sector assessments. Systematic country consultations held in January and June 2025 helped prioritize areas of ADB engagement during the ICPS period. As ADB is only beginning operations in Türkiye, attention was paid to learning from the experience of other multilateral development partners in relation to two issues: "doing the right things" and "doing it right." Lessons identified by the World Bank and the EBRD, which had their respective Türkiye strategies approved in 2024, have important pointers for ADB to being selective and ensuring that resources are not spread thinly to achieve scale and maximize value addition.

29. The World Bank's self-assessment in 2024 highlighted lessons like the need to balance the delivery of new programs with the implementation of the ongoing portfolio, while strengthening the capacity of project implementation units.[61] It called for the diversification of modalities, including the use of a Program-for-Results financing (ADB's results-based lending equivalent), Development Policy Financing (ADB's policy-based lending equivalent), and guarantees. The self-assessment underscored the need for increased collaboration with development partners, specifically for earthquake recovery and reconstruction. It highlighted the need for greater internal coordination between the public sector arm (IBRD) and private sector arms (International Finance Corporation [IFC] and the Multilateral Investment Guarantee Agency [MIGA]).[62]

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[61] World Bank. 2024. *Türkiye: Country Partnership Framework for the Period FY24–FY28*. Completion and Learning Report (Annex 3).

[62] The World Bank prioritized municipal PPPs where its private sector arms (IFC and MIGA) and the public sector arm (through IBRD) have customized approaches for mobilizing private capital through the Türkiye Green and Future Cities Project and potential e-mobility investments, tailored to the financial position and strengths of municipalities.

30. The EBRD identified lessons from its strategy, which covered 2019–2023 and coincided with a volatile macroeconomic environment that impeded deepening of capital markets. The return to orthodox approaches was expected to enable more diversified financial instruments with longer-tenor local currency finance. To mitigate the issue of limited municipal institutional capacity for implementing public–private partnerships (PPPs), the EBRD recommended creating a central PPP unit to support project preparation and implementation. To combat SMEs' limited digitalization, selective engagement of SOEs was recommended to advance digital transformation and develop innovative platforms for ready uptake.[63] Lessons from these reviews have thus informed this ICPS, and further findings from sector and project assessments will be elaborated in the ensuing ADB operations documents as part of their quality-at-entry exercise.

C. Role of Development Partners

31. Achieving scale and maximizing value addition are crucial in Türkiye, a UMIC where the combined annual development assistance during 2019–2023 from multilateral and bilateral organizations averaged €7.70 billion (footnote 63). This is still a small portion compared with the government receipts. Based on the country strategy of the EBRD, annual average investments and grants during 2019–2023 were as follows: the EBRD (€1.75 billion), the EU (€1.44 billion), the Asian Infrastructure Investment Bank (€608 million), the Islamic Development Bank (€291 million), the Agence Française de Développement (€199 million), the Japan International Cooperation Agency (€168 million), Germany's KfW Development Bank (€166 million), and the European Investment Bank (€109 million) (footnote 63).

32. The World Bank's country partnership framework highlights that annual commitments of the IBRD during fiscal year (FY) 2020–FY2023 averaged $2.2 billion, while IFC averaged $1.1 billion annually, with $730 million from own accounts and $370 million from other investors. The World Bank Group has committed $18 billion for Türkiye during FY2024–FY2026, with $6 billion from IBRD, $9 billion from IFC, and $3 billion from MIGA, with a growing emphasis on private sector operations. The EBRD plans to commit €2.5 billion in 2025 (€2.6 billion in 2024), with 90% directed toward the private sector.

D. ADB's Strategic Objectives and Operational Priorities

33. The strategic objective of ADB's ICPS, 2025–2027 is to build a vibrant ADB–Türkiye partnership through people-centered public and private sector solutions (Figure). The vibrancy of the partnership will be dependent on annual financing commitments through the public and private sector lending windows that will provide consistent, complementary, or integrated support across the program. These will be complemented by quality knowledge work that informs policy dialogue in this UMIC, including targeted upstream strategic studies in selected topics that create new midstream PPP opportunities and a pipeline of downstream private investments.

34. ADB activities during 2025–2027 will be aligned with two strategic pillars. The first pillar is resilience, with a focus on (i) enabling resilient earthquake recovery, and climate- and disaster-resilient infrastructure; (ii) reducing economic, fiscal, and financial vulnerability; and developing high-quality human capital; and (iii) enhancing water, food, and energy security. The second pillar is regional connectivity, under which ADB operations will support (i) positioning Türkiye as a transport, energy, and digital hub and a gateway to Europe for the Caucasus and Central Asia; and (ii) developing the Middle Corridor, which largely coincides with the CAREC Corridor 2, complementing ADB's RCI work to contribute to selected regional public goods.

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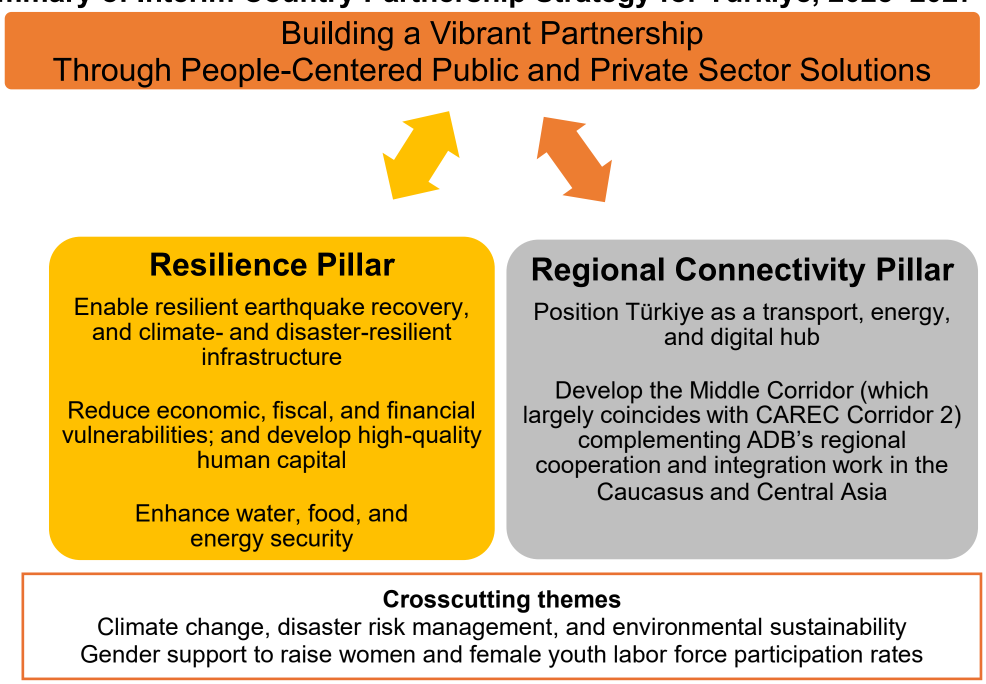
[63] EBRD. 2024. *Türkiye Country Strategy 2024–2029*.

35. Private sector operations will be aligned with these pillars. This approach supports ADB's private sector development shift by catalyzing investment where commercial capital is essential for ensuring development outcomes are achieved and sustained. ADB will deploy loans, guarantees, and equity tailored to the Turkish market, while deepening local capital markets through securitization, covered bonds, Islamic finance, capital products and local currency instruments. A core objective is higher private capital mobilization, using ADB's relative strength in loan syndications as a catalyst. ADB's experience in promoting economic opportunities for all, particularly women, will also be a priority in the origination of private sector operations. Targeted upstream studies and market diagnostics to identify sector opportunities will be conducted, in close coordination with government agencies. Using a dynamic, learning-based approach, ADB will collaborate with institutions like IFC and EBRD on strategic co-investments to maximize impact, demonstrate bankability, and stimulate a pipeline of future private sector business, establishing Türkiye as a flagship for ADB's expanded private sector ambition.

Summary of Interim Country Partnership Strategy for Türkiye, 2025–2027



ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation.
Source: ADB.

1. Resilience Pillar

36. **Enabling resilient earthquake recovery, and climate- and disaster-resilient infrastructure.** ADB assistance on disaster risk management support will be multi-hazard and integrated across the country program. Sovereign operations in water and urban development will strengthen the resilience of municipal service delivery, including support for earthquake reconstruction, and urban transformation for resilient cities in high-risk areas. Similar projects will be carried out by private sector operations for financially sound municipalities. The energy program, through public and private sector operations, will promote a self-reliant and resilient energy transition, including renewable energy development in earthquake-hit areas and across other municipalities. In transport, ADB projects will support road improvement in earthquake-affected areas, while in agriculture, they will promote resilient and adaptive rural infrastructure, and modernize multipurpose barns and other production facilities in earthquake-affected areas.

37. Sovereign operations under public sector management and governance will support the rehabilitation and construction of organized industrial zones (OIZs), industrial sites, and technology parks for SMEs, with priority given to earthquake-affected areas and lagging regions, focusing on resilient infrastructure, a green transition, and disaster preparedness. Some of these projects will be jointly undertaken with private sector operations. SME development for export orientation, research, innovation, digitalization, investments in high-value added sectors, and targeting women and youth-owned SMEs will be prioritized. Financial intermediation loans targeting SME exporters and micro, small, and medium-sized enterprises in earthquake-affected areas will be prepared, while ensuring that these do not crowd out the private sector. Private sector operations will take the lead in financing SMEs, primarily through financial institutions, while complementing ADB sovereign initiatives aimed at supporting the broader SME ecosystem.

38. **Reducing economic, fiscal, and financial vulnerabilities; and developing high-quality human capital.** Addressing macroeconomic challenges also requires improvements in skills development and the resilience of health, education, and youth engagement systems. ADB will develop technical and vocational education and training centers of excellence and build resilient school infrastructure. To expand opportunities for marginalized youth and women, youth centers and dormitories will be financed to promote social inclusion and gender equality, while family centers and daycare facilities will be supported to raise women's labor force participation rates. Operations to improve health care infrastructure and services are planned. ADB will engage in the care policy dialogue and promote quality and affordable childcare. ADB will also collaborate with civil society organizations on service delivery and inclusion of vulnerable groups.[64]

39. On fiscal resilience, ADB will strengthen the fiscal and governance framework by increasing domestic revenue mobilization, promoting green fiscal reforms, improving cash and debt management, and integrating digital tools to enhance transparency and accountability. It will help improve SOE governance and strengthen public investment management. Operations in public financial management and GovTech as well as country diagnostics, such as a governance and macro fiscal pillars assessment and an integrated fiduciary assessment covering fixed asset management and internal control, are planned.[65] On capital market development, ADB's sovereign and private sector teams will collaborate in climate resilience by developing local currency capital market solutions and issuances of thematic bonds, such as green, blue, social, and sustainability bonds. Financial and capital markets are to be supported through future flows securitization, mortgage-covered bonds, SME-backed bonds, and asset-backed securities, including securitization and Islamic finance products.

40. **Enhancing water, food, and energy security.** ADB will initiate support to modernize water resources infrastructure and strengthen food systems and agricultural value chains. ADB interventions, such as value chains and agro-entrepreneurship initiatives, will incorporate a strong gender lens supporting rural women through targeted access to finance, digital tools, leadership development, and cooperative platforms. Private sector investments in agribusinesses will span the food and agriculture value chain, covering the production of agricultural inputs to the distribution of food products. In energy, ADB support will support Türkiye's efforts toward energy security and accelerating its energy transition. The government has set an ambitious target to increase renewable energy generation capacity to 120 GW by 2035—four times the current level. ADB assistance will cover climate-resilient energy distribution, energy infrastructure expansion

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[64] ADB. 2025. Operational Manual Section C3. Policies and Procedures. *Incorporation of Social Dimensions into ADB Operations*; ADB. 2024. *Environmental and Social Framework*.

[65] GovTech, is the World Bank's whole-of-government approach to public sector modernization and government digital transformation focusing on citizen-centric public services through efficient and transparent systems.

and rehabilitation, and energy efficiency for demand-side management. Support will be provided to develop indigenous energy resources and improve network efficiency for energy security. Private sector investments will play a key role in supporting renewable energy generation projects, including solar power, wind energy, and battery storage. As a Climate Investment Funds (CIF) implementing partner, ADB will consult with the government to identify public or private investment opportunities in hard-to-abate industries.[66] In urban infrastructure, private sector operations will focus on the circular economy, waste management, and upcycling. ADB will boost health security by supporting local manufacturing of pharmaceutical and medical supplies.

2. Regional Connectivity Pillar

41. **Positioning Türkiye as a transport, energy, and digital hub.** Cofinancing opportunities in the development of high-speed railway lines with the World Bank will be explored. Steps will be taken to expand energy infrastructure and enhance regional connectivity to reduce reliance on energy imports and increase energy trade potential. Agriculture projects will promote agribusiness development by raising exports of food commodities. Steps will be identified to improve the digital regional connectivity infrastructure and create enabling digital governance frameworks to develop Türkiye into a regional digital hub. Beyond infrastructure investments, the ADB country program will support establishing and strengthening economic and institutional Europe–Türkiye–Caucasus and Central Asia links. This is crucial, given Türkiye's OECD membership, free trade agreement with the EU, and membership in other regional organizations. Private sector operations will cover PPPs in highways; project financing of airport or port expansion, warehouses, and logistics infrastructure; investments in a green digital data center; and industrial parks and sustainable manufacturing. Türkiye possesses development opportunities from mining to clean energy technology manufacturing, driven by its renewable energy potential and supportive government policies. ADB may support localization efforts for an affordable and resilient clean energy transition in line with its Critical Minerals-to-Manufacturing Value Chains approach.[67]

42. **Middle Corridor development (which largely coincides with the CAREC Corridor 2) complementing ADB's RCI work in the Caucasus and Central Asia.** ADB will support investments to integrate infrastructure with industry and services to catalyze growth. The program will strengthen OIZs and SMEs using approaches to economic corridor development. ADB will also provide investments to improve physical connectivity between selected OIZs. Improvements in transport connectivity in the eastern part of the Middle Corridor section in Türkiye, including the junctions with railways and roads on the borders with the Caucasus economies, as well as cofinancing of high-speed railway lines with the World Bank to improve connectivity with Europe on the western part will be explored. The expansion of energy trading capacity between the Caucasus, Türkiye, and the EU will be supported. Public and private sector operations will support investments in a techno park, OIZs, and export promotion zones. ADB's Trade and Supply Chain Finance Program will be used. Private investments will support Turkish agribusinesses to expand agri-food trade across the Caucasus and Central Asia. ADB will support institutional strengthening to enhance regional coordination, by aligning fiscal planning with climate and disaster resilience goals and preparing industries and SMEs for compliance with the EU's Carbon Border Adjustment Mechanism through carbon pricing strategies and low-carbon investment planning.

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[66] The CIF Trust Fund Committee selected Türkiye to join the CIF Industry Decarbonization Program in July 2025 and prepare an investment plan of up to $250 million in concessional financing.

[67] ADB. 2025. *Critical Minerals-to-Manufacturing Value Chains for Powering Progress, 2025–2029*.

E. Priorities for Knowledge Support

43. A country knowledge plan details the analytical work to be discussed further with the government counterparts and undertaken.[68] ADB will adopt a demand-driven approach for knowledge work. TA grants will be used during the initial phase for knowledge work. Partnerships with the EU, the EBRD, and the World Bank will be explored.

IV. STRATEGY IMPLEMENTATION

A. Cost-Sharing Arrangements

44. A regional member country's contribution to a project reflects its ownership of and commitment to the loan project or TA operation. Based on the other cost-sharing limits that ADB has in other group C3 countries, up to 85% for loans will be maintained on a portfolio-wide basis for the ICPS period. Actual cost-sharing for individual projects will be based on project-specific considerations. During the ICPS period, a higher proportion of TA financing will be provided to the government for project preparation. As the country pipeline develops, financing mechanisms for advanced project preparation, greater cofinancing, cost-sharing and cost-recovery approaches for project preparation, and knowledge work will be explored.

B. Implementation Priorities

45. Several considerations will guide ADB pipeline-building efforts. These are to undertake early engagement by the ADB sector teams to enable value addition and strengthen project designs; undertake 20%–30% overprogramming to limit the effects of slippage of projects to the next calendar year, which may happen due to lengthy time requirements for items like land acquisition; ensure sufficient availability of resources for project preparation, from both sides; focus on development impact; seek larger, interconnected, and self-reinforcing programs; and grow the private sector. As a late entrant in a competitive market, ADB's private sector success will rely on close client interaction and senior private sector engagement—aligning with IFC and the EBRD. This will strengthen client relationships and make ADB a credible, trusted partner.

C. Monitoring of Results

46. ADB will use an ICPS results framework to monitor implementation progress. The key outcomes and outcome indicators will track the contributions of ADB operations in support of the ICPS objectives. ADB will update the results framework, including its indicators, annually.

D. Risks

47. On procurement, given the fundamental ADB requirement for open and competitive bidding, ADB will review the country's procurement systems, including the e-procurement system, in collaboration with the national procurement authority and other development partners to facilitate the use of country systems in ADB projects. For safeguards and managing environmental and social risks in projects, ADB will review the country's environmental and social systems in the context of ADB safeguards policy requirements and provide customized capacity building support to ensure compliance. ADB will explore pathways to raise project readiness through advance contracting and retroactive financing that are aligned with country regulations or, at least require having the bid documents ready by the time of project approvals to ensure

[68] Country Knowledge Plan (Annex 4).

smooth project implementation. ADB will undertake outreach to counterpart agencies on ADB requirements and business processes. These sessions will cover ADB modalities, procurement, safeguards, and financial management. ADB will collaborate with the World Bank, IFC, and the EBRD, to not only cofinance programs and projects addressing resource gaps but also coordinate policy dialogue with them, as well as with the International Monetary Fund (IMF) and the EU to minimize the effects of macroeconomic risks stemming from policy changes and external shocks.