



**REPUBLIC OF TÜRKİYE  
PRE-ACCESSION  
ECONOMIC REFORM PROGRAM**

**2026-2028**

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ECONOMIC REFORM PROGRAM  
(2026-2028)**

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# CONTENTS

1. POLICY FRAMEWORK AND OBJECTIVES .....	1
2. IMPLEMENTATION OF THE POLICY GUIDANCE .....	4
3. MACROECONOMIC OUTLOOK .....	13
3.1. Recent Economic Developments .....	14
3.1.1. Growth .....	14
3.1.2. Labor Market .....	16
3.1.3. Balance of Payments .....	17
3.1.4. Inflation and Monetary Policy .....	19
3.1.5. Financial Sector .....	25
3.2. Medium Term Macroeconomic Scenario .....	29
3.2.1. Growth .....	30
3.2.2. Labor Market .....	35
3.2.3. Balance of Payments .....	36
3.2.4. Monetary Policy .....	38
3.2.5. Financial Sector .....	39
3.3. Main Risks in Projections .....	43
4. FISCAL FRAMEWORK .....	45
4.1. Fiscal Policy Strategy and Medium Term Objectives .....	46
4.1.1. Revenue Policies .....	46
4.1.2. Expenditure Policies .....	48
4.1.3. Public Borrowing Policies .....	49
4.2. Budget Implementations in 2025 .....	49
4.2.1. Developments in the Central Government Budget Revenues and Expenditures .....	49
4.2.2. Developments Regarding General Government Revenues and Expenditures .....	54
4.3. Budget Plan for 2026 .....	55
4.4. Medium Term Perspective .....	58
4.5. Structural and Cyclical General Government Balance .....	60
4.6. Debt Levels and Developments, Analysis of Below-the-Line Operations and Stock-Flow Adjustments .....	63
4.6.1. Current Situation .....	63
4.6.2. General Government Debt Stock Projections for 2026-2028 Period .....	65
4.6.3. Contingent Liabilities .....	65
4.6.4. Repayment Guarantees .....	66
4.6.5. Investment Guarantees .....	66
4.6.6. Debt Assumption Commitments .....	67
4.6.7. Treasury Receivables .....	67
4.7. Sensitivity Analysis and Comparison with the Previous Program .....	68
4.8. Quality of Public Finances .....	69
4.9. Fiscal Governance and Budgetary Frameworks .....	70
4.10. Sustainability of the Public Finance .....	73
4.10.1. Public Finance Risks .....	73
4.10.2. Sustainability Analysis .....	73
5. STRUCTURAL REFORMS .....	75
5.1. Competitiveness .....	75
5.2. Sustainability and Resilience .....	119
5.3. Human Capital and Social Policies .....	143
5.4. Summary of Structural Reform Measures .....	169
6. THE COST AND FINANCING OF STRUCTURAL REFORMS .....	170
7. INSTITUTIONAL ISSUES AND STAKEHOLDERS INVOLVEMENT .....	172
ANNEX TABLES .....	175

## TABLES

Table 3.1: GDP Growth by Sectors and Demand Components .....	15
Table 3.2: Labor Market Developments .....	16
Table 3.3: Regulations in 2025 .....	28
Table 3.4: Demand Components of Growth .....	30
Table 3.5: Investment Saving Balance .....	32
Table 3.6: Developments in Factors of Production .....	33
Table 3.7: Labor Market Developments .....	35
Table 3.8: Balance of Payments Forecasts .....	37
Table 4.1: Central Government Budget Balance 2025 .....	50
Table 4.2: Central Government Budget Expenditures 2025 .....	51
Table 4.3: Central Government Budget Revenues 2025 .....	52
Table 4.4: Central Government Budget Balance .....	53
Table 4.5: General Government Revenues and Expenditures - 1 .....	55
Table 4.6: Central Government Budget Expenditures 2026 .....	56
Table 4.7: Central Government Budget Revenues 2026 .....	57
Table 4.8: General Government Revenues and Expenditures - 2 .....	59
Table 4.9: General Government Balance Analysis .....	60
Table 4.10: Fiscal Stance and Output Gap .....	61
Table 4.11: EU Defined General Government Debt Stock .....	63
Table 4.12: Central Government Debt Stock .....	63
Table 4.13: Central Government Debt Stock by Interest Rate Type .....	64
Table 4.14: Average Time to Maturity of Central Government Debt Stock .....	65
Table 4.15: EU Defined General Public Debt Stock Estimations .....	65
Table 4.16: Projection of Treasury-Guaranteed Foreign Debt Service .....	66
Table 4.17: Loans Subject to Debt Assumptions .....	67
Table 4.18: Stock of Treasury Receivables .....	68
Table 4.19: Sensitivity of the EU Defined General Government Debt Burden .....	68

## FIGURES

Figure 3.1: GDP Developments.....	16
Figure 3.2: Industrial Production Indicators .....	16
Figure 3.3: Unemployment Rate and Labor Force Participation Rate .....	17
Figure 3.4: Employment by Sectors .....	17
Figure 3.5: Developments in Exports and Real Exports .....	18
Figure 3.6: Actual Annual Inflation .....	21
Figure 3.7: CPI and Core CPI .....	21
Figure 3.8: Annual Total Loan Growth .....	26
Figure 3.9: Deposit Composition.....	26
Figure 3.10: Contribution to GDP Growth .....	31
Figure 3.11: Value Added by Sectors .....	32
Figure 3.12: Output Gap .....	34
Figure 3.13: Nonperforming Loans Ratio .....	40
Figure 3.14: Capital Adequacy Ratio .....	40
Figure 3.15: Household Debt/GDP .....	42
Figure 3.16: Composition Household Financial Debt.....	42
Figure 3.17: Debt Indicators of Corporate Sector and Peer Countries .....	43
Figure 3.18: FX Debt of Corporate Sector .....	43
Figure 4.1: General Government Balance .....	62
Figure 4.2: Primary General Government Balance.....	62
Figure 4.3: Cyclical General Government Balance .....	63
Figure 4.4: Sustainability Scenarios .....	74
Figure 6.1: Expected Cost and Financing of Structural Reforms .....	170
Figure 6.2: Expected Cost by Years .....	171

## ABBREVIATIONS

<b>AI</b>	Artificial Intelligence
<b>BAT</b>	Sectoral Best Available Techniques
<b>BOTAS</b>	Petroleum Pipeline Company
<b>BRSA</b>	Banking Regulation and Supervision Agency
<b>CAR</b>	Capital Adequacy Ratio
<b>CBAM</b>	Carbon Border Adjustment Mechanism
<b>CBRT</b>	Central Bank of the Republic of Türkiye
<b>CEF</b>	Center of Excellence in Finance
<b>ÇİM</b>	Child Monitoring Centers
<b>CPI</b>	Consumer Price Index
<b>CRPD</b>	Convention on the Rights of Persons with Disabilities
<b>CV</b>	Curriculum Vitae
<b>DEP</b>	Digital Europe Program
<b>EBA</b>	European Banking Authority
<b>EBRD</b>	The European Bank for Reconstruction and Development
<b>E&amp;CR</b>	Energy and Carbon Reduction
<b>ECOFIN</b>	Economic and Financial Affairs Council
<b>EDIH</b>	European Digital Innovation Hubs
<b>EIP</b>	Efficiency Improvement Projects
<b>EMRA</b>	Energy Market Regulatory Authority
<b>EPIAŞ</b>	Energy Market Operation Company
<b>ERP</b>	Economic Reform Program
<b>ESA</b>	European System of Accounts
<b>ESIA</b>	Environmental and Social Impact Assessment
<b>ESMP</b>	Environmental and Social Management Plan
<b>ETS</b>	Emissions Trading System
<b>ETSPYS</b>	ETS Market Management System
<b>EU</b>	European Union
<b>EUROSTAT</b>	Statistical Office of the European Union
<b>FDI</b>	Foreign Direct Investment
<b>FGR</b>	Flare Gas Recovery
<b>FMUs</b>	Family Medicine Units
<b>FRIT</b>	The EU Facility for Refugees in Türkiye
<b>FSRU</b>	Floating Storage and Regasification Units
<b>FX</b>	Foreign Exchange
<b>FXNGP</b>	Foreign Exchange Net General Position
<b>GDP</b>	Gross Domestic Product
<b>GDPR</b>	European Union General Data Protection Regulation
<b>GGB</b>	General Government Balance
<b>GSTC</b>	Global Sustainable Tourism Council
<b>HR</b>	Human Resources
<b>IACB</b>	Internal Audit Coordination Board
<b>ICCA</b>	International Congress and Convention Association
<b>IMEP</b>	Vocational Education Program for Employment
<b>IMF</b>	International Monetary Fund
<b>IPA</b>	Instrument for Pre-accession Assistance
<b>İŞKUR</b>	Turkish Employment Organization
<b>KAMAG</b>	Public Research Support Group
<b>KKM</b>	Foreign Exchange Protected Deposits
<b>KOSGEB</b>	Small and Medium Enterprises Development Organization
<b>LAP</b>	Labor Adjustment Program
<b>LFS</b>	Labor Force Survey
<b>MEBİ</b>	Individual Learning Platform
<b>MESEM</b>	Vocational Training Centres
<b>MoIT</b>	Ministry of Industry and Technology
<b>MoTF</b>	Ministry of Treasury and Finance
<b>MTP</b>	Medium Term Program
<b>MÜSİAD</b>	Independent Industrialists and Businessmen's Association

<b>NES</b>	National Employment Strategy
<b>NDK</b>	Nuclear Regulatory Authority
<b>NEEAP</b>	The National Energy Efficiency Action Plan
<b>NEET</b>	Not in Education, Employment or Training
<b>NGO</b>	Non-Governmental Organization
<b>NOS</b>	National Occupational Standards
<b>NPL</b>	Non-Performing Loan
<b>NPP</b>	Nuclear Power Plant
<b>NQ</b>	National Qualifications
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>OEE</b>	Overall Equipment Effectiveness
<b>OIZ</b>	Organized Industrial Zones
<b>OTA</b>	Online Tourism Agency
<b>PCCs</b>	Personal Credit Cards
<b>PIFC</b>	Public Internal Financial Control
<b>PMI</b>	Türkiye Carbon Market Development Project
<b>PPI</b>	Producer Price Index
<b>PPP</b>	Public-Private Partnership
<b>REE</b>	Rare Earth Elements
<b>RES</b>	Wind Power Plant
<b>RIA</b>	Regulatory Impact Analysis
<b>RR</b>	Required Reserves
<b>R&amp;D</b>	Research and Development
<b>SAYEM</b>	Industrial Innovation Networks Mechanism
<b>SCT</b>	Special Consumption Tax
<b>SDGs</b>	Sustainable Development Goals
<b>SED</b>	Social and Economic Support
<b>SEEs</b>	State Economic Enterprises
<b>SENTRUM</b>	Sustainable Energy-Based Tourism Application Center
<b>SMEs</b>	Small and Medium Sized Enterprises
<b>SMR</b>	Small Modular Reactor
<b>SOE</b>	State Owned Enterprise
<b>SOGEП</b>	Social Development Support Program
<b>SPP</b>	Solar Power Plant
<b>SREP</b>	Supervisory Review and Evaluation Process
<b>SSI</b>	Social Security Institution
<b>SSTPA</b>	Secure and Safe Truck Parking Areas
<b>SUKAP</b>	Municipal Water and Sewerage Infrastructure Project
<b>SYD</b>	Green Transition in Industry
<b>TEİAŞ</b>	Turkish Electricity Transmission Corporation
<b>TENMAK</b>	Turkish Energy, Nuclear and Mineral Research Agency
<b>TFP</b>	Total Factor Productivity
<b>TGA</b>	Türkiye Tourism Promotion and Development Agency
<b>TGNA</b>	Turkish Grand National Assembly
<b>TIDIP</b>	Türkiye Industrial Decarbonisation Investment Platform
<b>TİM</b>	Türkiye Exporters Assembly
<b>TL</b>	Turkish Lira
<b>TOBB</b>	The Union of Chambers and Commodity Exchanges of Türkiye
<b>TR-I</b>	Türkiye Sustainable Tourism Criteria
<b>TR ETS</b>	Türkiye's Emissions Trading System
<b>TRNC</b>	Turkish Republic of Northern Cyprus
<b>TUGEП</b>	Technology and Product Development Projects
<b>TURKSTAT</b>	Turkish Statistical Institute
<b>TÜSİAD</b>	Turkish Industry and Business Association
<b>TÜBİTAK</b>	Scientific and Technological Research Council of Türkiye
<b>TÜSSİDE</b>	Turkish Industrial Management and Management Institute
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Program
<b>UNICEF</b>	United Nations International Children's Emergency Fund
<b>VAT</b>	Value Added Tax

<b>VET</b>	Vocational Education and Training
<b>VQA</b>	Vocational Qualifications Authority
<b>WEF</b>	World Economic Forum
<b>YASED</b>	International Investors Association
<b>YEKA</b>	Renewable Energy Resources
<b>YOİKK</b>	Investment Environment Improvement Coordination Council

## 1. POLICY FRAMEWORK AND OBJECTIVES

Türkiye, as an acceding candidate country of the European Union (EU), has been preparing the Economic Reform Program (ERP) each year with a three-year perspective and submitting it to the European Commission since 2001, in response to the request of the Economic and Financial Affairs Council (ECOFIN Council) dated 26-27 November 2000. The ERP (2026-2028) has been prepared with contributions from relevant public institutions and organizations under the coordination of Presidency of the Republic of Türkiye, Presidency of Strategy and Budget and approved by the Presidency in line with the framework requested by the European Commission.

The ERP (2026-2028) has been prepared within a participatory approach on the basis of the the 12<sup>th</sup> Development Plan (2024-2028) and Long-Term Development Strategy (2024-2053), the Medium Term Program (MTP) (2026-2028) and the 2026 Presidential Annual Program, in consultations with public and private sectors, civil society organizations and all other relevant stakeholders. The ERP, which sets out objectives and priorities aimed at achieving stable, sustainable, competitive and inclusive growth by ensuring economic and social development, is expected to strengthen policy predictability in the medium term.

Since the previous ERP period, uncertainties in global trade policies have reached historical highs, and despite a relative easing of financial conditions and a revival of capital flows to emerging market economies, ongoing geopolitical tensions have exerted pressure on global growth and trade. Against this adverse global backdrop, Türkiye has continued its disinflation process within the framework of tight monetary policy and fiscal discipline. During this period, a moderate growth pace and low unemployment rates were preserved, while the composition of growth evolved toward a more balanced structure, and the implementation of supply-side structural measures aimed to enhance potential growth. Despite the ongoing impact of the 2023 earthquakes, the budget deficit was reduced, international reserves strengthened, the country's credit risk premium continued to decline steadily and external balance and the quality of financing improved. As a result, the Turkish economy has maintained a balanced and resilient outlook against potential external shocks and has differentiated positively from peer economies.

During the ERP (2026-2028), the main objective is to ensure price stability, safeguard financial stability, and increasing productivity, thereby contributing to balanced, sustainable, competitive and inclusive growth, lasting improvements in welfare, and a fair income distribution while preserving economic resilience. In this context, the aims are to reinforce macroeconomic and financial stability, maintain fiscal discipline, and achieve price stability by reducing inflation to single digits over the medium term. During this period, demand conditions will be steered along a path consistent with disinflation, while the implementation of policies aimed at strengthening supply-side growth dynamics will be accelerated. The ERP targets sustainable growth by enhancing productivity to bolster long-term growth potential, developing research and development and innovation capacity, accelerating technological transformation in the transition to a green and digital economy, strengthening

human capital, improving the efficiency of the labor market, enhancing the business and investment environment and reducing informality in the economy.

The structural reform areas to be implemented during the program period are grouped under three main headings: “Competitiveness”, “Sustainability and Resilience”, and “Human Capital and Social Policies”.

Within the competitiveness pillar, the objective is to support especially SMEs in gaining a technology-based competitive advantage by expanding their access to advanced manufacturing technologies, improving resource-use efficiency, enhancing their capacity to comply with environmental requirements, and accelerating their transition to Industry 4.0 applications. In this context, firms’ operational efficiency will be increased through Model Factories, unit costs will be reduced, and their integration into global value chains will be supported. By scaling up practices that enhance energy and resource efficiency and promote low-carbon production to enable the green transition, SMEs’ compliance with international competitive conditions—particularly the EU Green Deal—will be strengthened. By supporting the green transformation of Organized Industrial Zones (OIZs), the widespread use of clean energy will be promoted, sustainable production infrastructures will be developed thereby increasing regional and sectoral competitiveness. In the tourism sector, while preserving the cultural, natural, and historical assets, the aim is to increase brand value and access high-income and sustainability-oriented new markets.

Under the sustainability and resilience pillar, renewable energy investments aimed at accelerating the green transition will be supported by domestic technology development capacity and sustainable finance instruments, and low-carbon production, resource efficiency, and circular economy practices will be implemented—particularly in the energy, transport, industry, and agriculture sectors. In this regard, secondary legislation regarding the reduction of greenhouse gas emission and climate change adaptation, aimed at the implementation of the Climate Law, will be finalized and put into effect as a priority. Türkiye’s Emissions Trading System (TR ETS) will be implemented based on its completed legal framework, and the Türkiye Green Taxonomy, which classifies the sustainability of investments and channels financial flows toward green investments, will be established. In addition, support through appropriate financing mechanisms will continue to be provided for industrial enterprises that certify the implementation of clean and sustainable production practices.

Under the human capital and social policies pillar, measures are being implemented within the framework of the National Employment Strategy (2025–2028). In this context, the objectives are to enhance a qualified workforce equipped with the skills required by the green and digital transition, strengthen the education–employment linkage, and improve the adaptability of working life to changing competitive conditions. Targeted programs will be introduced for individuals facing difficulties in labor force participation, particularly women, young people and persons with disabilities. By expanding on-the-job training practices and internship opportunities in vocational and technical education, the quality of vocational and technical education will be improved and the young population will be steered toward

employment. During the program period, the resilience of the labor market will also be strengthened through preventive measures against risks arising from economic conjuncture, climate change, national disasters and technological transformation.

Following this introductory section, which sets out the overall policy framework of the ERP, comprising seven main chapters, and the objectives of the Program, the second section presents the implementation of policy recommendations included in the Joint Conclusions of the Economic and Financial Dialogue Meeting between the EU and the Regional Partners. The third chapter assesses the outlook for the Turkish economy in light of recent global economic developments and sets out the macroeconomic framework, including medium term projections. The fourth chapter outlines policy priorities and medium term projections for public finance. The fifth chapter presents the structural reform measures to be implemented during the program period, while the associated costs of these measures and their financing sources are summarized in the sixth chapter. The final chapter provides information on the policy framework, institutional arrangements for the implementation of reforms and stakeholder involvement.

## 2. IMPLEMENTATION OF THE POLICY GUIDANCE

Within the scope of the Economic and Financial Dialogue between the European Commission and Türkiye, a large number of activities were carried out throughout the year to address the policy recommendations outlined in the joint conclusions of the Economic and Financial Affairs Council (ECOFIN) meeting held in Brussels on 13 May 2025.

**Policy Recommendation 1:** Maintain a sufficiently tight fiscal stance to support the ongoing disinflation process, and adopt additional measures, if needed, to achieve the deficit target. Expand the tax base by gradually removing tax exemptions and reductions. Define specific policy measures to support the gradual return to a primary surplus of close to 1 percent of GDP by 2027, as envisaged in the MTP.

- Under Law No. 5018 on Public Financial Management and Control, the MTP (2026-2028), which initiated the central government budget preparation process, was published on 7 September 2025. During the program period, a fiscal policy framework in which the primary borrowing requirement is gradually reduced has been put forward, and the primary general government balance is targeted to be 0.9 percent by 2028.
- Due to the pandemic conditions, any increase in the interest rates of the loans before 2021 used by the craftsmen and artisans paid by the Ministry of Treasury and Finance. This application implemented during 2022-2024 period. In this context, an additional interest burden has been paid approximately 4.6 billion TL until the end of 2024 and 297 million TL as of November 2025.
- Another decree issued in March 2023 the scope of interest-subsidized loans is expanded to improve access to finance. With this decree, craftsmen and artisans who received any interest or grant support up to 75,000 TL from other public institutions within the last 3 years could also benefit from interest-subsidized loans.
- The corporate tax rate has been increased by 5 percentage points to 25 percent.
- Corporate tax for profits obtained from Build-Operate-Transfer and Public-Private Partnership (PPP) projects, as well as for banks and financial institutions, has been increased by 10 percentage points.
- Financial activity fees of banks and other financial institutions have been increased by 50 percent.
- A minimum corporate income tax has been implemented at a rate of 15 percent for multinational companies and 10 percent for domestic companies.
- The 50 percent exemption applied in company real-estate sales has been abolished. The participation share sales exemption has been reduced to 50 percent.
- The withholding tax on dividend income has been increased to 15 percent.

- Real-estate gains of investment funds and partnerships have been made subject to a minimum corporate tax of 10 percent.
- The Special Consumption Tax (SCT) for yachts, cutters, boats and excursion boats has been set at 8 percent.
- The withholding tax rate on incomes from time deposits with maturities up to six months, which constitute 95 percent of time deposits, and on investment funds has been increased to 17.5 percent.
- The exemption in free zones has been limited to export revenues.
- The income tax exemption on the wages of R&D personnel has been narrowed.
- With the changes in the investment incentive system, the exemption in reduced corporate tax has been narrowed.
- Exemptions regarding incomes obtained from certain free funds have been abolished.

**Policy Recommendation 2:** Take steps to a gradual transition away from subsidies on fossil fuels. Revise the public procurement legislation to limit the use of exclusions and negotiated procedure. Increase accountability and strengthen corporate governance practices of public enterprises in line with OECD standards.

- The draft legislation concerning the State Owned Enterprises (SOEs) reform has been finalized by taking into account the views of the relevant institutions and the initiation of the legislative process is awaited.
- Technical work has been initiated within the Ministry of Treasury and Finance and the Public Procurement Authority to update public procurement practices with a purchasing approach that supports and prioritizes digitization, innovation, and sustainability, ensuring compliance with international norms and standards. This process is being carried out in consultation and cooperation with all relevant stakeholders.

**Policy Recommendation 3:** Ensure a sufficiently tight monetary policy stance and safeguard and enhance confidence in the independence of the central bank, to support disinflation process and anchor inflation expectations. Continue the simplification of macro-prudential measures and the regulatory framework, while maintaining financial stability. Enhance risk-based supervision and its transparency in line with the best international and European practices.

- The Central Bank of the Republic of Türkiye (CBRT) has maintained its tight monetary policy since the June of 2023 to ensure disinflation. The CBRT maintained its communication that it would keep its decisive stance against upward risks to inflation, considering the sustained improvement in expectations. The Bank consistently emphasized that it would not hesitate to diversify and utilize monetary policy tools if the underlying inflation trend tends to deteriorate. Over this course, the tight monetary policy stance has contributed to a slowdown in domestic demand,

the real appreciation of the Turkish lira, and the improvement in inflation expectations, resulting in a decline in inflation. The strong coordination between monetary and fiscal policies has made a significant contribution to a sustained decline in inflation.

- To increase the effectiveness of the monetary transmission mechanism, the CBRT has revised its existing macroprudential policy set and also simplified many policies. In this context, a significant step was taken by ending the opening and renewal of FX-protected deposit accounts. On the liability side, changes to required reserve ratios aimed to encourage long-term TL and FX funding over short-term funding.
- Macroprudential measures implemented during the process of establishing price and financial stability through simplification and tight monetary policy are being diversified and existing ones are being updated. These measures also aim to stabilize potential excessive appetite of banking system's FX-denominated asset. These measures enable the provision of FX loans within a risk management framework and, to this end, have provided the opportunity for continued credit growth in favor of domestic currency. The current environment, dominated by global geopolitical risks and policy uncertainty, encourages monetary policy to remain agile and flexible. In this regard, the CBRT's policy diversity and decisiveness will continue to be its most important policy advantage.
- The tight monetary policy stance, which will be maintained until price stability is achieved, will strengthen the disinflation process through demand, exchange rate, and expectation channels. The CBRT will determine the policy rate by taking into account realized and expected inflation and its underlying trend in a way to ensure the tightness required by the projected disinflation path in line with the interim targets. The step size is reviewed prudently on a meeting-by-meeting basis with a focus on the inflation outlook. Monetary policy stance will be tightened in case of a significant deviation in inflation outlook from the interim targets.
- Pursuant to Article 4 of the Law No. 1211 on the Central Bank of the Republic of Türkiye, the CBRT determines independently the monetary policy it will implement and the monetary policy instruments it will use in order to maintaining price stability. While the inflation target is set jointly with the Government, the authority to determine and implement monetary policy instruments belongs directly to the CBRT. Accordingly, the CBRT has full instrument independence as granted by the Law.
- Banking Regulation and Supervision Agency (BRSA) conducts regular assessments of banks' viability and risk profiles through its risk-based supervisory framework. In order to enhance its alignment with the Basel Core Principles for Effective Banking Supervision and international best practices, the BRSA periodically reviews and refines this framework. As part of its most recent revision initiative, the BRSA has adopted a new supervisory framework based on European Banking Authority's (EBA) "Guidelines on Common Procedures and Methodologies for the Supervisory

Review and Evaluation Process (SREP) and Supervisory Stress Testing under Directive 2013/36/EU,” thereby aiming to further harmonize its supervisory practices with the EBA’s SREP framework.

- Regarding the enhancement of the risk-based supervision in line with the international and European practices, BRSA is committed to adopting a regulatory and supervisory framework that is in line with the Basel framework. Within the scope of the commitments, it is aimed to harmonize the banking legislations with “Basel III” published by the Basel Committee on Banking Supervision and the relevant EU legislations, thereby ensuring that Turkish banks operate in compliance with international standards in terms of capital adequacy practices, and contributing to financial stability and strengthening their integration into global finance. In this context, it is planned to begin implementing the regulations aligned with the Basel III: Finalizing Post-Crisis Reforms standards as of the first half of 2026.
- In line with international practices and EU practices regarding the strengthening of risk-based supervision—including supporting market-based credit allocation and credit pricing and further improving the transparency and effectiveness of the regulatory framework—the risk weights determined by Basel standards have been applied by banks instead of the prudential risk weights previously applied to commercial loans in their capital adequacy calculations.
- As part of the coordinated simplification measures aimed at strengthening financial stability and ensuring the effective functioning of the credit system, the practice of excluding net negative amounts of securities held in the “Fair Value Through Other Comprehensive Income” portfolio acquired before 1 January 2024, from the own fund calculation in capital adequacy calculation and implementation of fixed exchange rate in capital adequacy calculation have been abolished. As of 1 January 2026, it has been decided that these transactions will be calculated in accordance with the international minimum standards.

**Policy Recommendation 4:** Take steps to establish a transparent public inventory of all aid schemes and ensure the independence and functioning of the State aid institutional structure in compliance with the EU acquis. Implement contract enforcement and improve the availability and functioning of dispute settlement mechanisms in line with the 4th Judicial Reform Strategy for 2025-2029, monitor annual progress and analyse the need for specialised courts. Continue to implement the action plan for the fight against the informal economy (2023-2025) and monitor annual progress.

- To ensure that state aid in Türkiye is managed effectively in line with sustainable and competitive development objectives, Presidential Decree No. 102 Concerning the Implementation, Coordination, Monitoring and Assessment of State Aids has been published in 2022, and the Directorate General for State Aid was established under the Presidency of the Republic of Türkiye Presidency of Strategy and Budget

to carry out coordination tasks related to state aid. In this context, the aforementioned Directorate General is carrying out relevant studies.

- The 2023-2025 Action Plan of Strategy for Fight against Informal Economy is currently being implemented, will continue to be implemented in cooperation with relevant institutions and organisations through 5 components and 44 action items. The components and actions included in the Action Plan are reported on a quarterly basis by the responsible institutions and monitoring-evaluation activities are carried out accordingly.
- The Vehicle Identification System was established with the National Vehicle Identification System Application General Communiqué No. 1, published in the Official Gazette dated 5 October 2023, and numbered 32330, with the aim of ensuring tax security and increasing audit effectiveness in the fuel sector.
- The Construction Steel Tracking System, which tracks certain inputs to prevent tax loss and evasion in the construction sector, was made mandatory by the Implementation General Communiqué published in the Official Gazette dated 16 March 2023, and numbered 32134.
- The “Rental Agreement Transactions” service was made available to citizens via the e-Government Portal as of 4 November 2024, to ensure that real estate rental transactions are carried out quickly and easily. The efforts have been made to raise social awareness and encourage voluntary compliance by conducting activities aimed at promoting tax and social security awareness, ensuring that these topics are included in the education curriculum.
- Since 2013, mediation, which is one of the alternative dispute resolution methods has been employed in approximately 8 million 500 thousand disputes, of which around 5 million and 70 thousand have resulted in agreements.
- Standards have been established for assessing legal aid applications and the possibility to apply via e-Government has also been introduced.
- In line with the rulings of high court jurisprudence, online training programs organized for experts in the required fields were provided to 466 people in January 2025, 699 people in November, and 689 people in December.
- New courthouses and administrative courts are being established in locations where needed, taking into account access-to-justice considerations. In this regard, the number of courthouses has risen to 597, assize court centers to 171, intellectual and industrial property courts to 17, specialized courts to 2,809, bringing the total number of first-instance judicial courts to 10,347. The number of provinces with administrative courts has reached 72, those with tax courts 39, and the total number of first-instance administrative courts has increased to 323.
- Wherever staffing levels and physical capacity allow, the approach of establishing new standalone courts has been adopted instead of operating courts under split

jurisdiction. Accordingly, of the 3,157 courts established over the past three years—3,065 in the judicial branch and 92 in the administrative branch—1,875 were created to convert courts previously operating under split jurisdiction into fully independent courts.

- Impact analyses are conducted for the specialized areas determined through case allocation, and implementation steps are being developed accordingly based on the relevant results.

**Policy Recommendation 5:** Adopt and implement the climate change legislation and swiftly establish an Emission Trading System (ETS) aligned with the EU ETS. Based on the 2053 Long-Term Strategy published in November 2024, address the energy-intensive and hard-to-abate sectors, including through increasing the use of renewables and alternative clean hydrogen. Continue to increase adaptation and resilience to climate change and disaster-related risks, including to ensure sustainable urban development.

- In line with the green growth vision and the net zero emissions target, and with the aim of combating climate change, the Climate Law—which covers the reduction of greenhouse gas emissions, climate change adaptation activities, planning and implementation instruments, revenues, permitting and inspection mechanisms, as well as the procedures and principles of the related legal and institutional framework—was published in the Official Gazette dated 9 July 2025 and numbered 32951, and entered into force.
- Preparatory work regarding the design and implementation of the TR ETS continues, and technical studies on the fundamental components of the system are underway. The Draft Regulation on the Türkiye Emissions Trading System was opened for public consultation on 22 July 2025. Following the evaluation of comments, the Regulation is planned to be submitted to the Directorate for enactment. The Energy Market Regulatory Authority (EMRA) opened the draft Regulation on the Operation of the Emissions Trading System Market for public consultation until 13 November 2025, within the scope of the secondary legislation process.
- Throughout 2025, site visits were conducted to facilities across various sectors. During these visits, discussions were held with stakeholders regarding the technical implementation of the draft regulation, production processes, and technical data requirements. Moreover, information-sharing activities were carried out with chambers of industry and commerce, sectoral associations, and business organizations. To enhance the capacity and awareness of industrial actors on Green Transformation, Greenhouse Gas Emissions Monitoring, and the Carbon Border Adjustment Mechanism (CBAM), information meetings were organized with approximately 6,000 participants across the provinces of Eskişehir, Denizli, Kocaeli, Tekirdağ, Edirne, Kırklareli, İstanbul, Sakarya, Konya, İzmir, Kayseri, Nevşehir, Niğde, Mersin, Adana, Aydın, Uşak, Bursa, Bilecik, Gaziantep, and Mardin.

- Under the coordination of the Directorate of Climate Change, and within the scope of the Türkiye Carbon Market Development Project, the “Sustainable Green Growth and Climate Policies Workshop” was held on 12 August 2025, and project-related technical activities continue to progress.
- Within the scope of the Türkiye Carbon Market Development Project (PMI), technical consultancy, software procurement, training programs, and technical support tender processes continued throughout 2025. Cooperation with the European Commission, through the Carbon Pricing Working Group, and with the United Kingdom, through the Emissions Trading System Working Group, has also been maintained.
- The work is also continuing on voluntary carbon market applications in line with the TR ETS. Türkiye aims to establish domestic voluntary carbon markets to enable the offsetting of greenhouse gas emissions by companies and public institutions. Carbon credits traded within these markets will be available for compliance within the TR ETS as well as for the achievement of corporate and voluntary climate targets. In this context, preparatory work continues under the protocol signed with relevant institutions on 12 May 2023. Additionally, on 1 August 2025, Draft Regulation on Carbon Credit and Offsetting was opened for public consultation.
- Within the scope of the harmonization efforts for Directive 2010/75/EU on Industrial Emissions, the “Regulation on the Management of Industrial Emissions” prepared in compliance with the Directive, was published in the Official Gazette dated 14 January 2025 and numbered 32782, and entered into force as of 1 December 2025. In addition, sector-specific communiqués were prepared under six main headings covering 33 sectors, taking into account the EU sectoral best available techniques reference and conclusions documents. The aforementioned Sectoral Communiqués were published in the Official Gazette dated 30 November 2025 and numbered 33093, and entered into force on 1 December 2025.
- Within the scope of the Green Deal Working Group, the 2024 Activity Report has been published. Tangible progress has been achieved in the implementation of the Green Deal Action Plan, and low-carbon production roadmaps as well as the National Circular Economy Strategy and Action Plan have been published. The Green Finance Strategy has reached the finalization stage.
- Based on the Basel Committee on Banking Supervision's document “Principles for the Effective Management and Supervision of Climate-Related Financial Risks” and taking into account the relevant guidance of European Union, the BRSA published the “Guideline on Effective Management of Climate-Related Financial Risks by Banks”, effective as of July 2025. The Guideline outlines the policies, processes, and activities that banks must follow to effectively manage their climate-related financial risks, as well as the principles governing the roles and responsibilities within banks.

- Effective as of 11 April 2025, taking into account the European Union Taxonomy, “the Communiqué on the Calculation of Banks' Green Asset Ratios” is issued to measure banks' green transformation contributions, and to reduce misleading transactions while enhancing transparency. Having recently been established also by the EU as a general performance indicator for credit institutions in financing sustainable economic activities, the green asset ratio aims to ensure that the contribution of credit institutions to the transition to a green and sustainable economy can be measured in an objective, consistent and comparable way.

**Policy Recommendation 6:** Reduce the employment rate gap by bringing young people and the informally employed into formal jobs, in particular through stepping up vocational education and the provision of paid intern and traineeships. Address the employment gap between men and women through further proliferation of quality and affordable childcare infrastructure beyond the big urban centres of Türkiye, and through raising the level of skills for women by facilitating their access to and participation in training and on-the-job training. Continue the roll-out of the self-reflection on effective learning by fostering the use of innovative educational technologies (SELFIE) tool to assess schools' digital education capabilities.

- Vocational Training Centres (MESEM) are work-based vocational education programs that enrol students who have completed lower secondary education. Individuals aged 14 and above may register for the program and begin apprenticeship training. Over the four-year duration of the program, students receive vocational training at enterprises for four days per week, based on a contractual arrangement with employers, and attend school for one day per week for general education courses and occupation-specific theoretical instruction. Students who successfully pass the skills assessments are awarded a journeyman certificate at the end of grade 11 and a master craftsman qualification at the end of grade 12. By design, the Vocational Training Centre Program is strongly oriented towards employment outcomes. Within the Vocational Training Centre Program, students may, on a request basis, complete additional coursework during or after their training period and obtain a Vocational and Technical Anatolian High School diploma alongside the master craftsman certificate, thereby enabling progression to tertiary education. As of 2025, over the last three years, a total of 438,949 students were enrolled in MESEM, while the total number of individuals enrolled in the Mastery Compensation Program reached 652,912.
- Within the scope of identifying and monitoring digital skills, a scoping study was conducted by categorizing the units and learning outcomes of the Information Technologies and Software course, and an assessment framework was developed. As part of this work, workshops were held on 18-22 August and 20-24 October 2025 regarding the assessment framework to be used, and pilot implementation was initiated.

- The National Employment Strategy (2025-2028) was prepared in coordination with all relevant public institutions and organizations, social partners, professional associations, civil society organizations, and university representatives, and entered into force as a Presidential Decree in the Official Gazette dated 1 February 2025 and numbered 32800. The strategy focuses on four key policy areas such as “Developing Skills Alignment with Green and Digital Transformation in Labor Markets”, “Developing Inclusive Employment”, “Strengthening the Social Protection-Employment Relationship” and “Developing Sustainable Employment in Rural Areas”.
- The Action Plan based on strategy covers as follows;
  - Creating a qualified workforce focused on digitalization and green transformation in order to strengthen the link between education and employment and enable the working life to adapt to changing competitive conditions,
  - Creating a work environment where decent working conditions are applied, fundamental human rights in working life are guaranteed, and occupational health and safety is ensured,
  - Ensuring registered and secure employment for all segments of society, particularly groups requiring special policies,
  - Ensuring inclusive and sustainable employment in rural areas and improving working and living conditions.
- Within the scope of the National Employment Strategy Action Plan, monitoring work has been carried out for the January-June 2025 period in relation to the Action Plan, and the 1st National Employment Strategy Current Status Monitoring and Evaluation Report has been prepared.
- Within the scope of the preparatory work for the National Just Transition Strategy, the project entitled “Enhancing Workers’ Skills Adaptation in the Green and Digital Transition Process” has been implemented. Within the framework of the project, worker-employer meetings were held in 10 provinces to raise awareness at the local level, and analytical studies were conducted to assess awareness of the transition process and to identify current and future skills needs.
- In order to strengthen capacity throughout the strategy development and just transition process, an International Just Transition Policy Training Program was organized for all stakeholders, including social partners and civil society organizations.
- The National Just Transition Strategy Preparatory Workshop with broad stakeholder participation was held on 29-30 December 2025.

### **3. MACROECONOMIC OUTLOOK**

In 2023, the global economy operated under the combined pressures of persistently high inflation, tightening financial conditions, and intensifying geopolitical tensions, which exerted a pronounced downward pressure on global growth expectations. Nevertheless, relatively strong domestic demand and resilient labor markets—particularly in advanced economies—contributed to global economic activity proving more resilient than initially anticipated. In 2024, the global growth outlook became more balanced but relatively weaker despite the gradual decline in inflation, the continued tightness of financial conditions and the persistence of geopolitical risks continued to weigh on economic activity. In this context, the global economy expanded by 3.3 percent in 2024, while growth in advanced economies remained limited at 1.8 percent. The US economy positively diverged by growing 2.8 percent, exceeding expectations, whereas the Euro Area recorded subdued growth of 0.9 percent, partly reflecting economic weakness in Germany. Growth in emerging market and developing economies reached 4.3 percent, with China and India making significant contributions to global growth within this group. Against this backdrop, global growth is expected to remain below long-term historical averages but follow a relatively stable trajectory, reaching 3.2 percent in 2025 and 3.1 percent in 2026.

As the global economy entered 2025, the key prevailing trend was the continued resilience of growth despite the lagged effects of tight financial conditions. Growth rates in advanced economies remained subdued, with a noticeable loss of momentum in the US economy compared to previous years, while the Euro Area exhibited a modest recovery supported by relatively easing financial conditions and a more moderate energy price environment. In emerging market and developing economies, China and India continued to play a stabilizing role in global growth; however, growth momentum in these economies is also assessed to be gradually moderating. During this period, particularly trade policy uncertainty, election-related policy changes and ongoing geopolitical tensions remained key determinants of global economic expectations, contributing to a cautious stance in investment decisions and capital flows.

From a global trade perspective, 2024 was characterized by a relatively favorable outlook, supported by improvements in supply chains, a rebound in services trade, and strengthening demand conditions. In 2025, however, tariff measures and heightened uncertainty surrounding trade policies emerged as the main factors weighing on the trajectory of global trade. Nonetheless, front-loaded import demand triggered by tariff implementation and the postponement of certain trade measures played a mitigating role in limiting the short-term weakening of trade volumes. According to IMF projections, global trade in goods and services is expected to grow by 3.6 percent in 2025, before moderating to 2.3 percent in 2026 amid normalizing demand conditions and elevated uncertainty.

The decline in energy and other commodity prices, together with the dampening effect of tight financial conditions on demand, has supported a pronounced disinflationary trend in global headline inflation. However, persistent price rigidities in the services sector and continued exchange rate pressures in some emerging market economies have constrained the pace of disinflation. From a monetary policy perspective, financial conditions tightened

markedly in 2023 as central banks implemented substantial policy rate increases, with the effects of this tightening continuing to be felt throughout 2024. From the second half of 2024 onward, a gradual normalization process began; however, notable divergence emerged across central banks. While policy rate cuts became more pronounced in the Euro Area, the US adopted a more cautious stance in rate cuts in light of relatively persistent inflationary pressures. Current projections indicate that average consumer inflation in advanced economies is expected to decline to 2.5 percent in 2025, while inflation in emerging market and developing economies is projected to stand at 5.3 percent.

Over the medium term, risks to the global economic outlook remain elevated. The potential for geopolitical tensions to spread across a wider geographic area, rising protectionist tendencies in global trade, and heightened economic policy uncertainty continue to pose downside risks to global growth. In addition, the lagged effects of tight financial conditions, elevated public debt levels, and rising borrowing costs present heightened vulnerabilities, particularly for more fragile economies. Climate change related supply-side shocks such as increasingly frequent and severe droughts and floods also constitute significant risks that could adversely affect both growth and inflation dynamics. In this context, despite expectations of moderate global growth, economic vulnerabilities are assessed to persist over the medium term.

### **3.1. Recent Economic Developments**

#### **3.1.1. Growth**

In 2024, Turkish economy maintained a trajectory consistent with the disinflation process and grew by 3.3 percent close to the ERP (2025-2027) forecast despite the weakening of external demand due to global anti-inflation policies, ongoing geopolitical tensions and tight financial conditions. The determined implementation of tight monetary and fiscal policies in the second half of 2024 strengthened the rebalancing trend in domestic demand and, together with reconstruction activities in the earthquake-affected region, supported the robust performance of construction investments, thereby sustaining the upward momentum in fixed capital formation.

In line with the policy framework supporting disinflation, the composition of growth in the first two quarters<sup>1</sup> of 2025 exhibited a rebalancing in domestic demand, which continued to be the main driver of economic activity, Turkish economy grew by 3.7 percent. In the first half of the year, final domestic demand contributed 3.7 percentage points to growth, and the contribution of inventory changes stood at 0.9 percentage points. However, net exports of goods and services had a negative contribution of 0.9 percentage points.

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<sup>1</sup> In accordance with the manuals of the System of National Accounts (SNA 2008) and the European System of Accounts (ESA 2010), TurkStat announced its comprehensive main revision of GDP data to the public on September 1, 2025. The main revision refers to changes in the base year, classification, definition and scope, methodology, application and question structure, changes in source data, and updates resulting from legal regulations. Within the scope of the revision, GDP data for the period 1995-2025 has been updated. When comparing the results of the revision, GDP values at current prices have increased compared to the previous series, and the revision has had a limited upward effect on the real GDP increase calculated as chained volume values. Partial differences are observed in the old and new series adjusted for seasonal and calendar effects.

In the third quarter of 2025, the economic rebalancing process continued and GDP grew by 3.7 percent. From the expenditure side, private consumption increased by 4.8 percent year-on-year, while public consumption expenditures rose by 0.8 percent slightly. Total fixed capital investments recorded a strong increase of 11.7 percent over the same period. Consequently, total final domestic demand contributed 6.1 percentage points to growth. During this period, net exports of goods and services had a negative contribution of 1.0 percentage point.

**Table 3.1: GDP Growth by Sectors and Demand Components**

	(2009=100 Chained Volume, Annual Change, %)									
	Annual		2024				2025			
	2023	2024	I	II	III	IV	I	II	III	9 Months
GDP	5.0	3.3	5.3	2.3	2.8	3.2	2.5	4.9	3.7	3.7
Agriculture	0.4	5.1	8.3	5.2	3.3	7.9	-0.7	-5.5	-12.7	-9.7
Industry	2.5	0.2	3.9	-1.8	-2.2	0.8	-1.6	6.0	6.5	3.6
Manufacturing	3.4	-0.5	3.2	-3.3	-3.3	1.2	-2.4	6.9	7.7	3.9
Services <sup>1</sup>	5.1	3.6	5.6	2.7	4.0	2.4	3.6	5.5	4.6	4.6
Construction	6.5	9.9	11.3	7.0	11.4	10.3	8.5	11.1	13.9	11.3
Total Consumption	9.1	3.5	7.0	0.9	2.7	3.6	2.1	3.6	4.2	3.3
Public	2.3	-0.8	2.3	-2.9	-0.2	-1.9	2.1	-0.6	0.8	0.8
Private	10.5	4.3	7.8	1.7	3.3	4.7	2.1	4.4	4.8	3.8
Gross Fixed Capital Form.	7.3	2.7	8.2	-0.3	-1.7	5.2	1.8	9.1	11.7	7.7
Change in Stocks <sup>1,2</sup>	-0.9	-1.2	-4.1	0.2	-1.0	-0.2	0.7	1.0	-1.5	0.0
Final Domestic Demand	8.6	3.3	7.3	0.6	1.6	4.0	2.0	4.9	6.0	4.3
Total Domestic Demand	8.5	2.4	3.9	0.9	0.7	4.1	3.1	6.4	4.9	4.8
Exports of Goods and Serv.	-2.3	0.1	3.6	-0.5	0.2	-2.4	0.2	2.0	-0.7	0.4
Imports of Goods and Serv.	12.1	-4.4	-3.1	-6.7	-10.0	1.6	2.8	8.9	4.3	5.4

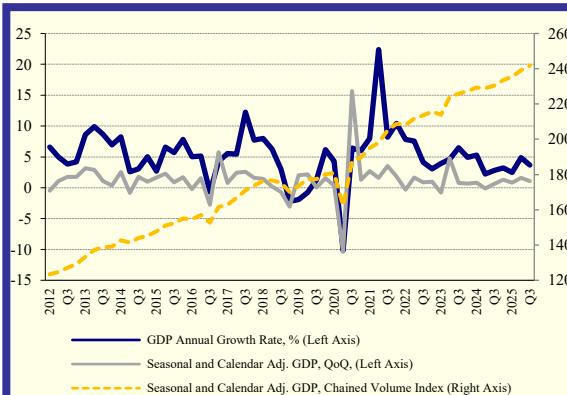
Source: TURKSTAT

(1) Presidency of Strategy and Budget calculations  
 (2) Contribution to GDP growth

In the first three quarters of 2025, GDP growth stood at 3.7 percent, contributing private consumption, public consumption and total fixed capital investments to growth 2.6 percentage points, 0.1 percentage points and 1.9 percentage points, respectively. Over this period, net exports had a negative impact on growth by 0.9 percentage points.

On the production side, the industrial sector's value added increased by 3.6 percent in the first three quarters of 2025. The services sector value added rose by 4.6 percent during the same period and contributed 3.0 percentage points to growth. The agriculture sector value added contracted by 9.7 percent during this period due to adverse weather conditions such as drought and agricultural frost negatively affecting growth by 0.6 percentage points.

Considering leading indicators of growth, it is observed that industrial production has lost some momentum since the third quarter of 2025, while capacity utilization rates have begun to recover in recent months.

**Figure 3.1: GDP Developments**


Source: TURKSTAT

**Figure 3.2: Industrial Production Indicators**


Source: TURKSTAT and CBRT

Despite adverse global conditions and strict policies, the Turkish economy continued to grow with a balanced growth composition, in the first nine months of 2025. The services sector drove growth in the first three quarters of the year, with high-rate increases in the added value of the construction and information and communication sectors. On the other hand, while the industrial sector made a significant contribution to growth during this period, the agricultural sector was limited the growth due to weather conditions.

### 3.1.2. Labor Market

In 2024, the unemployment rate decreased by 0.7 points compared to the previous year and was realized as 8.7 percent, below the ERP (2025-2027) forecast. Despite the increase in labor force participation, the decline in the unemployment rate has been driven primarily by employment gains concentrated in the services sector. Compared to the previous year, in 2024 the labor force participation rate increased by 1.0 percentage point for women and by 0.8 percentage points for men, resulting in an overall increase of 0.9 percentage points to 54.2 percent. Over the same period, the employment rate also rose by 1.2 percentage points, reaching 49.5 percent.

**Table 3.2: Labor Market Developments**

(15+Age, Thousand Persons)

	Annual		2024				2025		
	2023	2024	I	II	III	IV	I	II	III
Working Age Population	65,425	65,926	65,763	65,870	65,979	66,088	66,206	66,330	66,458
Labor Force Part. Rate, %	53.3	54.2	53.6	54.2	54.8	54.0	52.7	53.6	54.4
Labor Force	34,896	35,733	35,268	35,677	36,173	35,701	34,922	35,536	36,127
Employment	31,632	32,620	32,013	32,696	32,993	32,658	31,929	32,623	33,068
Unemployed	3,264	3,113	3,255	2,980	3,180	3,043	2,993	2,913	3,058
Employment Rate, %	48.3	49.5	48.7	49.6	50.0	49.4	48.2	49.2	49.8
Unemployment Rate, %	9.4	8.7	9.2	8.4	8.8	8.5	8.6	8.2	8.5
Youth, %	17.4	16.3	16.5	15.9	17.4	15.7	15.0	15.5	16.3
<b>Sectoral Distribution of Employment</b>									
Agriculture	4,695	4,827	4,254	4,896	5,163	4,658	4,178	4,601	4,998
Non-Agriculture	26,937	27,793	27,759	27,800	27,830	28,000	27,751	28,022	28,070
Industry	6,711	6,746	6,767	6,697	6,750	6,833	6,748	6,618	6,478
Services (Construction Included)	20,227	21,048	20,992	21,102	21,079	21,167	21,003	21,403	21,592

Source: TURKSTAT

In the third quarter of 2025, the seasonally adjusted unemployment rate continued to remain at single digit, standing at 8.5 percent (Figure 3.3). Over the same period, the seasonally adjusted employment rate was 49.0 percent, while the labor force participation rate was recorded at 53.5 percent. The seasonally adjusted labor force participation rate stood at 36.2 percent for women and 71.2 percent for men.

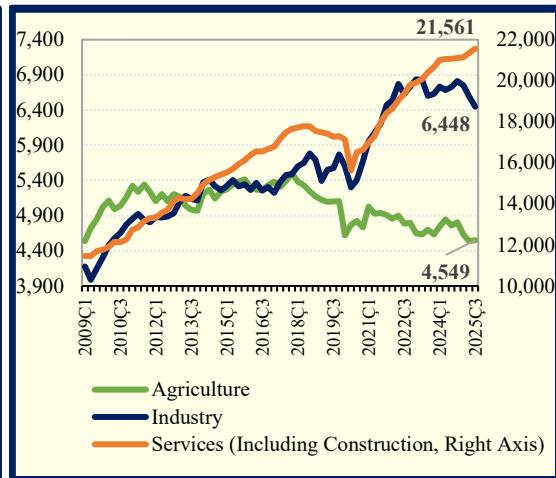
Reflecting the impact of the disinflation process, employment growth moderated somewhat in 2025. During the first three quarters of the year, seasonally adjusted employment increased by 463 thousand persons in the services sector including construction, while employment in industry declined by 364 thousand persons due to the effects of monetary tightening (Figure 3.4).

**Figure 3.3: Unemployment Rate and Labor Force Participation Rate (Seasonally Adjusted, Percent)**



Source: TURKSTAT

**Figure 3.4: Employment by Sectors (Seasonally Adjusted, Thousand Persons)**



Source: TURKSTAT

### 3.1.3. Balance of Payments

In 2024, the global trade recovery was driven by strong growth in services trade, while merchandise trade recorded a more moderate increase. The gradual revival of economic activity and the rising foreign demand in main export markets, particularly in Europe, have had a positive impact on export. In this period, merchandise exports reached 261.8 billion dollars, which remained slightly below the target set in the ERP (2025-2027). Total merchandise imports realized as 344 billion dollars, remaining largely in line with the projections of the previous ERP due to the declines in energy and gold imports. Travel revenues continued their upward trend throughout the year and reached 56.3 billion dollars, above previous ERP estimates.

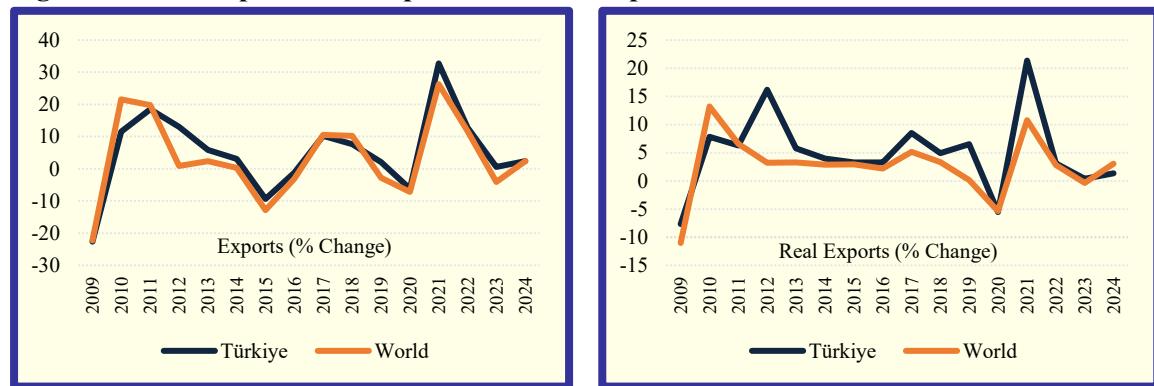
In 2025, exports increased in parallel with the moderate recovery observed in global economic activity. While energy prices generally followed a moderate trend, a significant increase in gold prices was observed, unlike in 2024. In this context, the improvement in external demand conditions, as well as the course of domestic demand and the increase in gold-related imports, stood out. The increase in imports exceeded the growth in exports put pressure on the foreign trade balance and the current account balance.

In the January-November period of 2025, exports increased by 3.6 percent compared to the same period of the previous year, reaching 247.0 billion dollars. During the same period, imports increased by 5.7 percent reaching 329.7 billion dollars due to the impact of rising gold prices. In this context, while the pressure of import-driven growth on the current account balance continues, the annualized current account deficit reached 22 billion dollars as of October 2025.

In October 2025, real exports decreased by 7.0 percent compared to the same month of the previous year, while real imports increased by 3.3 percent. During the same periods, export prices increased by 9.6 percent and import prices increased by 3.7 percent.

In 2025, driven by economic developments in EU countries, exports to the EU increased by 7.7 percent in the January-November period of that year compared to the same period of the previous year, reaching 107 billion dollars. The countries with the highest imports are China, Russia, and Germany. In the January-November period, compared to the same period of previous year, an increase was observed in imports from China and Germany.

**Figure 3.5: Developments in Exports and Real Exports**



Source: World Trade Organization, IMF, TURKSTAT

In the January-October period of 2025, travel revenues increased by 5.8 percent compared to the same period of the previous year, reaching 52.6 billion dollars. Average spending per person showed an increase in the third quarter of 2025 compared to the previous year, and the number of tourists in the first nine months of 2025 increased by 1.8 percent to 49 million 173 thousand people.

Net foreign direct investment inflows amounted to 3.5 billion dollars in the January-October period of 2025. During the same period in 2025, a net outflow of 788 million dollars was recorded from portfolio investments, while a net inflow of 14.5 billion dollars was recorded from other investments. Reserve assets decreased by 13.1 billion dollars during the January-October period of 2025.

### **3.1.4. Inflation and Monetary Policy**

#### **3.1.4.1. Inflation**

Annual consumer inflation, which stood at 64.77 percent at the end of 2023, realized at 44.38 percent at the end of 2024. Supportive demand conditions and exchange rate developments both arising as a result of tight monetary policy were the key factors in the disinflation achieved in 2024. At the end of 2025, headline inflation declined by 13.49 points compared to the previous year, and materialized at 30.89 percent (Figure 3.6).

Across main components, the annual inflation rate for the food and non-alcoholic beverages group, which began to decline in the second quarter of 2024, fell from 70.14 percent in May to 43.58 percent at the end of the year. Group inflation thus remained slightly below the headline inflation level of 44.38 percent. In the first half of 2025, both processed and unprocessed food sub-groups contributed to the disinflation process in food prices. While bread and cereal products remained relatively flat in the first quarter, the contribution to disinflation came from other processed food prices. On the unprocessed food side, it was noteworthy that both red and white meat sub-groups contributed to disinflation. In the third quarter of the year, however, due to both the delayed effects of agricultural frost and the impact of drought, food inflation adversely affected disinflationary process. In fact, the annual inflation of this group rose from 27.95 percent in July to 27.44 percent in November. By sub-group, unprocessed food prices rose, while processed food prices continued to show an upward trend, albeit at a lesser extent. In the unprocessed food group, the increase in fresh fruit and vegetable prices played an important role. In the relevant quarter, prices of processed food sub-groups such as bread and cereals, milk, cheese and other dairy products along with solid and liquid fats also rose significantly. Food inflation, which remained below headline inflation on an annual basis until August, exceeded headline inflation as of August. Food inflation, which remained above headline inflation in September and October, fell below the headline rate in November and realized at 28.31 percent at the end of the year.

Energy prices rose by 27.19 percent in 2023, falling below the levels seen in the previous year. Energy prices, which rose sharply in the first half of 2024, contributed to the disinflation process in the last quarter of the year. This development was led by the positive course in energy and tap water prices for the housing sector. In the first half of 2025, energy inflation remained relatively flat. In the second half of the year, inflation in the energy group began to decline, partly due to the drop in oil prices, closing the third quarter at an annual rate of 34.73 percent. Energy prices, which continued their moderate outlook in October, rose in November, mainly due to the fuel group driven by the diesel products' prices, diverging from crude oil price developments. As of December, while energy prices stayed flat, annual inflation in this group stood at 35.06 percent.

Meanwhile, core goods inflation stood at 52.81 percent annually in 2023. Starting in April 2024, disinflation began in the core goods group. Core goods inflation, which fell by nearly 30 points during the rest of the year, stood at 27.43 percent at the end of 2024, 17 points below headline inflation. Core goods inflation continued to decline in the first three months of 2025, maintaining its disinflationary stance. In the first quarter, clothing and

footwear and durable goods groups excluding gold contributed to the positive course in core goods. It was observed that sub-groups within the durable goods group, except for the automobile sub-group, contributed to disinflation in the first quarter, while the automobile group inflation remained relatively flat. Core goods inflation, which contributed to disinflation in the first quarter of the year, rose moderately in the second quarter as a result of developments observed in financial markets in March. Thus, the inflation rate of the core goods group, which was 19.39 percent annually in March, reached 21.09 percent in June. Automobile and electrical and non-electrical appliance prices played a role in this increase. On the other hand, it is estimated that demand conditions remaining at disinflationary levels have reduced the impact of exchange rate developments on inflation. After a moderate increase in the second quarter of the year, annual inflation in core goods has been observed to level off at around 20 percent in the third quarter. With a slight decline in the final months of the year, the core goods group closed the year with inflation at 17.71 percent, 13.18 points below headline inflation.

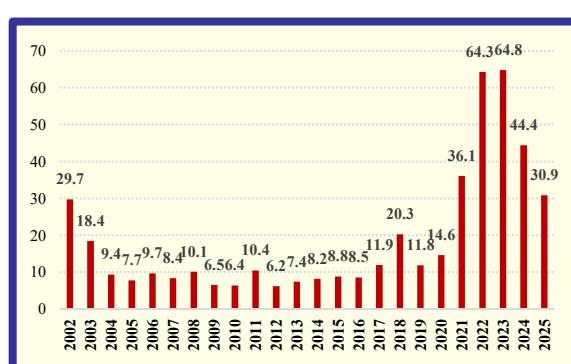
The annual inflation of the services group ended 2024 at 65.73 percent, 21.35 points above the headline inflation. Although annual inflation in this group declined significantly in 2025, it remained elevated compared to other main subgroups. This was driven by supply constraints in the housing market, the increase in the minimum wage, adjustments in administered prices and specific taxes, the time-dependent pricing behavior and the strong backward-looking indexation. In the first three months of 2025, annual services inflation declined but remained high. During this period, education and rent items were particularly prominent. Rent inflation displayed more pronounced inertia than the rest of the group, partly due to factors specific to the housing sector such as supply constraints partly stemming from the earthquake and ongoing urban-transformation projects. Moreover, the backward-looking pricing behavior in education services limited the pace of disinflation in services. In the second quarter, while education and rent continued to record the highest price increases in services, rising fuel prices due to geopolitical developments adversely affected transportation services inflation. In the third quarter of 2025, with the start of the new academic year, items subject to time-dependent pricing and characterized by strong backward indexation—such as university fees, dormitory fees, and school transportation services—experienced notable price hikes. Furthermore, rent inflation continued to rise especially due to seasonally high rate of contract renewals. On the other hand, with aggregate demand continuing to weaken, price increases slowed in demand-sensitive subgroups such as restaurants—hotels and recreation—culture services. Despite more moderate price increases in the last quarter of the year, annual services inflation stood at 43.99 percent in December, above headline inflation.

Aggregate demand has fared at disinflationary levels throughout the year. Credit growth exhibited a moderate course over the year. With the depreciation of the TL being more limited than in previous years, inflationary pressures eased. As the minimum wage was increased only in January 2025, wage-driven pressures weakened, particularly in the second half of the year. Commodity prices followed a volatile path during the year due to geopolitical developments and rising tariffs. Inflation expectations showed an improvement

and remained above interim inflation forecasts. Additionally, significant price increases in fresh fruit and vegetables pushed headline inflation upward in the most recent period. Rent inflation—supported by supply shortages and strong backward indexation—and education emerged as other key drivers of headline inflation. The annual inflation rate of the C index, one of the core inflation indicators, continued in line with the downward trend in the headline index, reaching 31.08 percent at the end of 2025, a decrease of 14.26 points compared to the previous year (Figure 3.7).

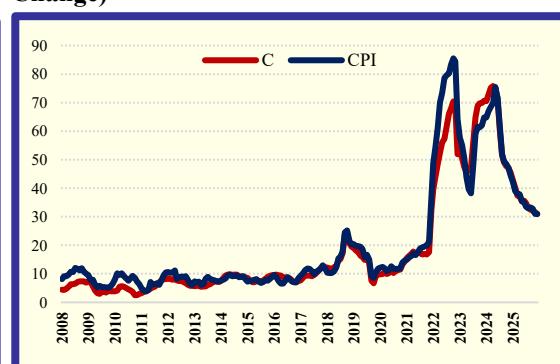
In the first half of 2024, annual domestic producer inflation increased, but subsequently fell sharply, reaching 28.52 percent at the end of the year. Throughout the year, geopolitical developments, tariff increases and periodic increases in metal prices were also influential. Conversely, declining transportation costs and supply-chain pressures remaining close to historical averages helped contain cost pressures. As a result of these developments, 2025 annual producer inflation stood at 27.67 percent in December.

**Figure 3.6: Actual Annual Inflation (CPI, %)**



Source: TURKSTAT

**Figure 3.7: CPI and Core CPI (Annual % Change)**



Source: TURKSTAT

### 3.1.4.2. Monetary Policy

CBRT raised its policy rate by 250 basis points to 45 percent in January 2024 as part of the monetary tightening process initiated in June 2023, assessing that the necessary level of monetary tightness for establishing disinflation had been achieved. Taking into account the lagged effects of monetary tightening and other policy steps supporting monetary transmission, the policy rate was kept unchanged in February. In March 2024, financial markets became more volatile and the outlook for inflation deteriorated. Taking these developments into account, the CBRT raised the policy rate to 50 percent in March. The policy rate was kept unchanged at 50 percent between April and November, and was reduced by 250 basis points in December due to the improvement in the inflation outlook. Throughout the period when the policy rate remained unchanged, strong communication was maintained emphasizing a cautious stance against upside risks to inflation. The CBRT stated that it would effectively utilize monetary policy tools in the event of a significant and persistent deterioration in inflation and that it would base its decisions on an inflation outlook-focused, cautious, and meeting-based approach. Throughout 2024, the CBRT continued to implement macroprudential measures to support the monetary transmission mechanism to encourage TL deposits in order to strengthen monetary transmission.

In January 2025, the CBRT reduced the policy rate to 45 percent by a reduction of 250 basis points. Stating that while inflation expectations and pricing behaviour tend to improve, they continue to pose risks to the disinflation process, the CBRT underlined that the tight monetary stance will be maintained until price stability is achieved via a sustained decline in inflation. The CBRT also stated that the policy rate will be determined in a way to ensure the tightness required by the projected disinflation path taking into account realized and expected inflation and the underlying trend. Additionally, the CBRT emphasized that the decisiveness regarding the tight monetary stance is strengthening the disinflation process through moderation in domestic demand, real appreciation in TL and improvement in inflation expectations, and stated that increased coordination of fiscal policy will also contribute significantly to this process.

The CBRT cut the policy rate by further 250 basis points at its meeting in March after January. In addition, an interim meeting was held in March to evaluate the recent financial market developments. At this interim Monetary Policy Committee meeting on March 20, the CBRT assessed the risks that the developments in financial markets might pose to the inflation outlook and took measures to support the tight monetary stance. Accordingly, the CBRT decided to raise the overnight lending rate to 46 percent from 44 percent, while the policy rate and the overnight borrowing rate were kept at 42.5 percent and 41 percent, respectively. In addition, the one-week repo auctions were suspended for a period of time, and the CBRT provided funding at the overnight lending rate. In response to the developments in financial markets, the CBRT took additional measures to support the monetary transmission mechanism. Accordingly, a two-month TL deposit buying auction was held on March 20, and the average maturity of sterilization was extended. In addition, the CBRT started to issue liquidity bills to enrich the diversity of liquidity toolset. Between 24 March and 4 April 2025, liquidity bills with a maturity of 28 to 32 days were issued. On 28 March 2025, the CBRT started outright bond purchases to support liquidity conditions in the bond market, in coordination with the Ministry of Treasury and Finance.

In April, the CBRT, drawing attention to the effects of financial market developments on the underlying trend of inflation, decided to raise the policy rate from 42.5 percent to 46 percent, the overnight lending rate from 46 percent to 49 percent, and the overnight borrowing rate from 41 percent to 44.5 percent. Moreover, the CBRT announced that it would resume the one-week repo auctions which were suspended on 20 March 2025. The CBRT highlighted that inflation expectations and pricing behaviour continue to pose risks to the disinflation process and also stated that the potential effects of the rising protectionism in global trade through global economic activity, commodity prices and capital flows are closely monitored. Accordingly, it was underlined that the policy rate will be adjusted prudently on a meeting-by-meeting basis, in a way to ensure the tightness required by the projected disinflation path taking into account realized and expected inflation and the underlying trend. The CBRT reiterated that the decisiveness regarding the tight monetary stance will strengthen the disinflation process through moderation in domestic demand, real appreciation in TL and improvement in inflation expectations, and that increased coordination of fiscal policy will also contribute significantly to this process. However, it is

stated that it would tighten its monetary policy stance if a significant and persistent deterioration in inflation was foreseen.

In view of the decline in the underlying trend of inflation that was recorded in May and continued in June, the CBRT decided to keep the policy rate intact at 46 percent at the June meeting. In July, due to a strengthened disinflationary impact of demand conditions, the policy rate was lowered from 46 percent to 43 percent. Meanwhile, the CBRT underlined that inflation expectations and pricing behaviour continued to pose risks to the disinflation process and also noted that potential effects of the geopolitical developments and the rising trade protectionism on the disinflation process were closely monitored. In addition, the CBRT reiterated that all monetary policy tools would be used effectively in case a significant and persistent deterioration in inflation was foreseen.

In September, the CBRT lowered the policy rate from 43 percent to 40.5 percent, assessing that the underlying trend of inflation slowed in August and demand conditions were at disinflationary levels. At the October meeting, the CBRT noted that the underlying trend of inflation increased in September, demand conditions remained at disinflationary levels, and the disinflation process had slowed down. The CBRT stressed the heightened risks to the disinflation process stemming from inflation expectations and pricing behaviour posed by recent price developments, notably in food and made a modest cut in October, reducing the policy rate to 39.5 percent. In November, consumer inflation was lower than expected due to a downward surprise in food prices. Following an increase in September, the underlying trend of inflation declined slightly in October and November. Leading indicators for the last quarter point out that demand conditions continue to support the disinflation process. In response to these developments, the CBRT reduced the policy rate to 38 percent in December. Moreover, the CBRT emphasized once again that policy rate decisions would be reviewed prudently on a meeting-by-meeting basis with a focus on the inflation outlook and that the monetary policy stance would be tightened in case of a significant deviation in the inflation outlook from the interim targets.

The CBRT continued to take macroprudential measures to strengthen the monetary transmission mechanism. The CBRT made regulations regarding transition to TL accounts from FX-protected accounts and reserve requirement ratios. Accordingly, in order to support the decline in the KKM balance, on 20 December 2024, the total target for KKM accounts' transition to TL and renewals was reduced from 70 percent to 60 percent and the minimum interest rate applicable to KKM accounts was reduced from 70 percent to 50 percent of the policy rate. Moreover, the remuneration of reserve requirements maintained for KKM accounts was terminated for new KKM accounts or for those to be renewed. In 2025, the exit strategy of Turkish Lira accounts from FX-protected accounts continued, on 2 January 2025, the support provided for FX or TL deposit accounts and participation accounts of legal persons with FX liabilities was abolished. On 20 January 2025, the CBRT decided to terminate the opening and renewal of FX-protected deposit and participation accounts - converted from FX and gold- with maturities of six months and 12 months as of the same date. In order to further strengthen the monetary transmission mechanism, on 4 February 2025, the reserve requirement ratios were raised from 8 percent to 12 percent for banks'

Turkish lira liabilities of funds from repo transactions from abroad, loans obtained from abroad and deposits (participation funds) from banks abroad, with maturities up to one year (including one year). As part of the strategy to phase out KKM accounts, the opening and renewal of all KKM accounts held by legal entities were terminated as of 15 February 2025, and KKM accounts of legal entities were excluded from the scope of KKM's transition to TL and renewal targets. With the press release on 21 June 2025, the growth targets for real-person TL deposit shares were increased for banks with a share below 60 percent, while a monthly growth target of 0.4 points were introduced for banks with a share between 60 percent and 65 percent. The reserve requirement ratio for KKM accounts was raised from 33 percent to 40 percent. The minimum interest rate applicable to these accounts was reduced from 50 percent to 40 percent of the policy rate. The target for transition of KKM accounts to TL was abolished, while the total target for KKM renewals and transition to TL was maintained. The CBRT terminated the opening and renewal of KKM accounts on 23 August 2025. Accordingly, the total target for the transition of KKM accounts to TL and renewals was abolished. Furthermore, the TL deposit share growth targets were revised downward with the amendment made on 17 October 2025.

The macroprudential measures were not limited to measures on KKM and regulations related to loans were also implemented. In this framework, with effect from 16 August 2025, the CBRT extended the calculation period for loan growth rates from four to eight weeks, thereby providing flexibility in the management of loan growth limits. Effective as of 1 October 2025, the monthly maximum contractual interest rates applied to cash withdrawal or usage transactions in TL made through credit cards and overdraft accounts have been reduced by 25 basis points.

In 2025, funding and sterilization tools were used effectively in line with variable liquidity conditions. The liquidity surplus that became permanent in the second half of 2024, due to the improvements in the CBRT's net foreign exchange position, turned into a liquidity deficit in April 2025 following the market volatility observed in March. In the subsequent period, aided by the CBRT's reserve accumulation, the permanent liquidity surplus re-emerged in the system as of mid-July. Throughout 2025, funding and sterilization tools were used effectively under both liquidity deficit and liquidity surplus conditions to ensure that secondary-market interest rates were formed at the required level of monetary policy tightness. In this framework, liquidity bills were issued, one week repo auctions which were suspended in March were resumed in April 2025 and an additional reserve requirement was introduced for FX deposits to be maintained in Turkish lira.

The CBRT's official reserves reached their historical peak with 198.4 billion dollars on 17 October 2025. According to the latest data as of 26 December 2025, international gross reserves are at the level of 193.9 billion dollars, of which 116.9 billion dollars consists of gold reserves, and the remaining 77 billion dollars consists of foreign exchange reserves.

### **3.1.5. Financial Sector**

#### ***Capital Markets***

On the demand side of capital markets, initial public offerings (IPOs) conducted by 17 companies in 2025 raised 43.1 billion TL in financing. For capital market instruments other than shares, the total issuance amount reached TL 2.4 trillion as of December 12, 2025. On the supply side of the market, the number of investors in the equity market reached 6.4 million as of the end of November 2025. Investment funds, which as of the end of November have a total portfolio size of 7.3 trillion TL, have 5.7 million investors. Furthermore, the size of pension fund portfolios reached 1.9 trillion TL as of the end of November 2025 and the private pension system has 15.7 million investors.

Main developments that took place in capital markets during 2025 are summarized below;

- In terms of capital market legislation, one of the significant developments in 2025 was the publication of secondary legislation concerning crypto asset service providers. Following the amendment to the Capital Markets Law in 2024, which defined the powers of the Capital Markets Board (CMB) regarding crypto asset service providers and determined the basic principles regarding the activities of these organizations, regulations concerning the procedures and principles with respect to the operation of crypto asset service providers, as well as capital adequacy and establishment and operating principles, were published in March 2025, and the review process regarding the authorization of crypto asset service providers is currently being conducted.
- In 2025, regulations concerning the management of information systems were also updated in line with the latest technological developments and applications, with the aim of strengthening cyber resilience in institutions subject to CMB regulations.
- In addition, regulations in compliance with international standards have been put into effect with respect to the calculation, administration, monitoring, and prevention of conflicts of interest with respect to indices published by Borsa Istanbul.
- Financial education activities conducted by the CMB continued in 2025. In addition to trainings provided free of charge through the Financial Literacy Platform, which became operational in 2024, training activities targeting specific groups (youth, women, various professional groups, etc.) were carried out through protocols signed between the CMB and relevant public institutions and non-governmental organizations (NGOs).

#### ***Banking Sector***

During the monetary tightening process supported by macroprudential policy measures, the loan growth is following a path consistent with disinflation. The policy rate, which was 46 percent in the second quarter of 2025, was gradually reduced to 39.5 percent

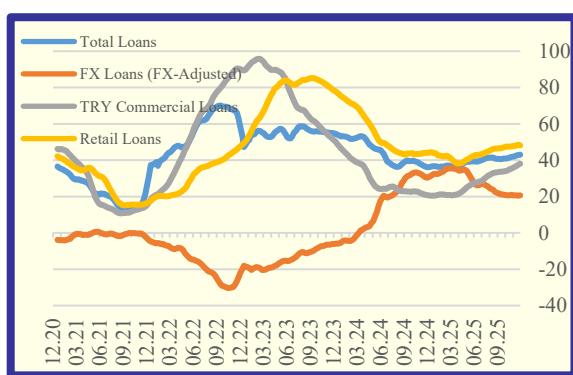
in the second half of 2025. During this period, loan rates were aligned with the CBRT's policy rate and weighted average funding cost.

Under tight financial conditions, loan growth slowed in the second half of 2023 and has been flat since the second half of 2024. In the current period, while TL commercial and FX loans exhibited growth below total loans. Retail loans, driven by developments in personal credit cards and general-purpose loans, are driving overall loan growth upwards (Figure 3.8). Retail loans grew by 48 percent by the end of November. TL commercial loans grew by 38 percent, while FX loans grew by 21 percent.

In 2025, macroprudential tools such as loan growth limits, targets for renewal and transition to the TL as well as TL share targets, reserve requirement ratios, RR remunerations, and minimum interest rates charged on KKM accounts were actively used to support TL savings and discourage FX-linked liabilities in the banking system.

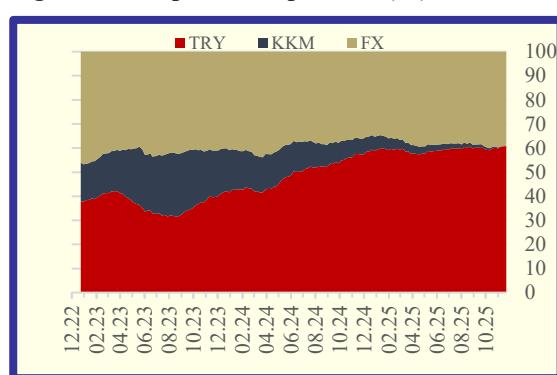
Loan growth limits are implemented to support the monetary policy transmission mechanism, balance domestic demand by preventing fluctuations in credit demand, and protect production capacity. With the last amendment made in August 2025, the loan growth limits determined for 4-week periods were aligned with 8-week periods, and the relevant limits were determined as 5 percent for TL SME loans, 3 percent for other TL commercial loans, 1 percent for FX loans, and 4 percent for general-purpose and vehicle loans. Loan growth limits contribute to the harmonization of loan growth with the disinflation path and also contribute to maintaining the share of TL loans. The monthly growth limit for FX loans has been lowered to 0.5 percent to tighten financial conditions and prevent volatility in loan demand. For TL commercial loans, the monthly growth limit of 2 percent has been differentiated and set at 2.5 percent for SME loans and 1.5 percent for other commercial loans.

**Figure 3.8: Annual Total Loan Growth (%)**



Source: CBRT

**Figure 3.9: Deposit Composition (%)**



Source: CBRT

In 2025, the macroprudential policy framework was simplified and adjusted to accommodate the disinflation process as well as Turkish lira saving tendency in the system. In order to enhance the functionality of the market mechanism and strengthen macro-financial stability, simplification steps have been continued throughout 2025 within the framework of macroprudential policy. Among the most significant simplification steps taken within the macroprudential framework is the termination of FX-protected deposit accounts

(KKM) opening and renewal transactions (excluding YUVAM<sup>2</sup> accounts) in August (Table 3.3). In line with the termination of the opening and renewal of FX-protected deposit accounts (KKM), the aggregate target for the transition of FX-protected deposit accounts (KKM) to TL and its renewal has been abolished. The opening and renewal of KKM accounts for legal entities was terminated in February, followed by the announcement on August 23rd, terminating KKM for real persons as well. KKM balance has been declining gradually and steadily over the last two years. At its peak, KKM balance accounted for around 26 percent of the total deposits in 2023, while its share has declined to a negligible 0.1 percent of the total deposits as of November 2025 (Figure 3.9).

Households' preference for the Turkish lira has increased due to the decrease in exchange rate volatility, which is directly related to individuals' demand for foreign currency. As a result, the share of TL deposits in total deposits has been stabilized around 60 percent in the third quarter. On the other hand, households have been increasingly diversifying their savings through mainly securities investment funds and pension funds. While the significance of investment funds in the system has been growing, the share of TL in securities investment funds remains around 55-60 percent, indicating the resilience of TL preference.

The monthly growth targets for TL deposits of households and corporates have been maintained, and the commission rates charged in case of failure to meet the targets have been increased. TL deposit instruments offered to depositors have been diversified by allowing variable-rate TL deposits to be opened for terms longer than one month.

The Turkish lira share target set by the CBRT within the scope of reserve requirement ratios for banks, aimed at increasing the preference for the Turkish lira, was raised to 65 percent in June. As of 28 November, compound TL deposit rates for 1-3 months maturities declined by about 8.8 percentage points compared to 18 July, the beginning of the second round of policy cuts. During the same period, TL preference remained strong, the TL share in deposits increased by 111 basis points, reflecting the tight combination of the monetary policy stance and macroprudential framework. The increase in TL share was important in a context where the termination of KKM accounts took place. Aside from TL deposits, TL funding of banks from abroad has become more prominent in 2024 and 2025 due to attractive real TL interest rates. The increase in reserve requirement ratios for short-term TL loans obtained from abroad has limited the growth of TL funding through this channel.

Interest rates applied to credit card transactions are differentiated according to the outstanding balance for the period, aiming to reduce credit card debt. In addition, the reserve requirement ratios applied to short-term funds obtained by banks from abroad have been increased, encouraging banks to secure long-term funding.

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<sup>2</sup> A Turkish lira account that enables persons resident abroad to invest their savings in banks in Türkiye, offering exchange rate protection guaranteed by the Central Bank as well as an additional return opportunity

**Table 3.3: Regulations in 2025**

<b>Simplification Steps in Macroprudential Framework</b>	<b>Date</b>
Termination of the FX-protected deposits opening and renewals for legal entities	February 2025
Termination of the FX-protected deposits opening and renewals (excluding YUVAM accounts)	August 2025
Abolition of the aggregate target for FX-protected deposits' transition to TL and renewal	August 2025
Not extending the provisional arrangement setting the reserve requirement ratio at zero percent until the end of the year for the amount of increase in FX liabilities with maturities longer than one year that banks and financing companies obtain directly from abroad	December 2025
Revision of the new FX RR rate for demand deposits and participation funds to 30 percent for maturities up to 1 year and 26 percent for longer maturities. For precious metal deposit accounts, 30 percent for demand deposits and deposits with maturities up to 1 year, 26 percent for longer maturities, and for other FX liabilities, 21 percent for maturities up to 1 year, 10 percent for maturities up to 2 years, 8 percent for maturities up to 3 years, 3 percent for maturities up to 4 years, and 0 percent for maturities over 5 years.	December 2025
<b>Steps Related to Liabilities</b>	
For banks' TL-denominated liabilities with maturities of up to one year (including one year); the reserve requirement ratio for funds obtained from foreign repo transactions, loans used from abroad, and foreign bank deposits/participation funds has been increased from 8 percent to 12 percent	February 2025
The RR ratio of 12 percent applied to maturities up to one year for TL-denominated funds from repo transactions abroad and loans obtained from abroad was revised and differentiated by maturity as follows: 18 percent for maturities up to one month and 14 percent for maturities up to three months	May 2025
Reducing monthly growth targets for the share of TL deposits held by legal entities	June 2025
Allowing variable-rate TL deposit accounts, which can be opened with a minimum term of 3 months, to also be offered for terms longer than 1 month	August 2025
<b>Steps Related to Assets</b>	
In the reserve requirement practice based on credit growth; the monthly growth limit for FX loans is reduced to 0.5 percent, and the monthly growth limit of 2 percent for TL commercial loans is differentiated to 2.5 percent for SME loans and 1.5 percent for other commercial loans	January 2025
Revision of the overall maturity limit for consumer loans	February 2025
By BRSA Board Decision; as of the decision date, the restructuring option is introduced for individual credit cards whose period debt has not been partially or fully paid or restructured by the final payment date	July 2025
By BRSA Board Decision, the contractual monthly interest rate applicable in the event of restructuring of individual credit card debts shall be limited to the monthly reference rate (3.11 percent)	July 2025
In the mandatory RR based on loan growth; extending the calculation periods from four weeks to eight weeks	August 2025

### **3.2. Medium Term Macroeconomic Scenario**

During the ERP period, in accordance with the objectives of the 12<sup>th</sup> Development Plan (2024-2028), the main objective is to ensure price stability, preserve financial stability, and strengthen the competitive position of the economy. This will be achieved by increasing productivity in a manner that contributes to balanced, sustainable, and inclusive growth, supports permanent welfare gains, promotes fair income distribution, and maintains economic resilience.

Throughout the program period, measures to strengthen supply-side growth dynamics will be accelerated, while ensuring that demand conditions remain consistent with the inflation path. Policies aimed at increasing total factor productivity through technological development, skill transformation programs to enhance the quality of human capital, and structural measures supporting productive investments and accelerating capital accumulation will be implemented in a comprehensive framework, with the aim of enhancing long-term growth potential.

As part of the fight against inflation, the coordinated and targeted implementation of monetary, fiscal, and incomes policies will be resolutely maintained. The tight policy stance stabilizing demand conditions will be maintained to ensure the continuation of the disinflation process, while simultaneously continuing medium and long-term structural transformation steps against possible supply constraints. In public finance, the principle of fiscal discipline will not be compromised, and fiscal policy will be implemented in a manner that contributes to achieving price stability, improving the current account, fair income distribution, and enhancing the productivity and competitiveness in economy. Income policies will continue to be implemented with due regard to price stability and expectations management, while maintaining sensitivity to income distribution.

Pursuant to the increasing uncertainties in global trade, protectionist tendencies and the transformation in supply chains, Türkiye will focus on policies aimed at increasing technology-intensive and high value-added production and exports to strengthen its position in value chains and capture a larger share of the global export market. While strengthening domestic production capacity by promoting the R&D and innovation ecosystem, the product and market diversity of exports will be boosted. Thus, a permanent and sustainable improvement in the current account balance will be achieved. In financing the current account deficit, the aim is to prioritize production-oriented resources and establish a sustainable financing structure by attracting foreign direct investments to the country and activating export-financing instruments. It is envisaged that regulations that will increase investor confidence and strengthen the business environment will be implemented, contributing to a broad-based improvement in economic performance.

In this regard, key priorities include implementing structural transformations that support productivity gains in line with the principles of sustainable development through strengthening an innovative and technology-oriented production structure, upgrading the quality of human capital and enhancing institutional capacity.

### 3.2.1. Growth

#### 3.2.1.1. Composition of Growth

Despite weak external demand conditions stemming from the fight against global inflation and geopolitical tensions, the Turkish economy grew by 3.3 percent in 2024. Domestic demand emerged as the main driver of growth, while net exports contributed positively to growth, pointing to a balanced growth outlook. Ongoing reconstruction activities in the provinces affected by the earthquakes in 2023, played an effective role in ensuring economic growth. The balanced outlook for growth composition has continued as the effects of the tight monetary and fiscal policies implemented to control inflation have become apparent. In 2024, the increase in value-added was led by the services sector, with moderate contributions from the agriculture and industry sectors. Accordingly, with its 3.3 percent growth rate, the Turkish economy significantly outperformed the OECD average of 1.4 percent, dissociating positively from other member countries.

**Table 3.4: Demand Components of Growth**

(2009=100 Chained Volume, Percentage Change, %)

	Forecast				
	2024	2025	2026	2027	2028
Total Consumption Expenditure	3.5	2.5	3.3	3.8	4.4
Private <sup>1</sup>	4.3	2.4	3.2	3.6	4.1
Public <sup>1</sup>	-0.8	3.4	4.8	5.5	6.0
Total Investment Expenditure	-3.0	10.1	6.5	6.3	7.4
Gross Fixed Capital Formation	2.7	4.6	4.0	4.2	4.9
Change in Stocks <sup>2</sup>	-1.2	0.4	0.0	0.0	0.0
Exports of Goods and Services	0.1	1.8	3.4	3.8	4.4
Imports of Goods and Services	-4.4	3.8	3.8	3.6	3.9
Gross Domestic Product	3.3	3.3	3.8	4.3	5.0
Domestic Demand	2.4	3.7	3.9	4.3	4.9
Final Domestic Demand	3.3	3.0	3.5	3.9	4.5

Source: Realization TURKSTAT, Presidency of Strategy and Budget and MoTF

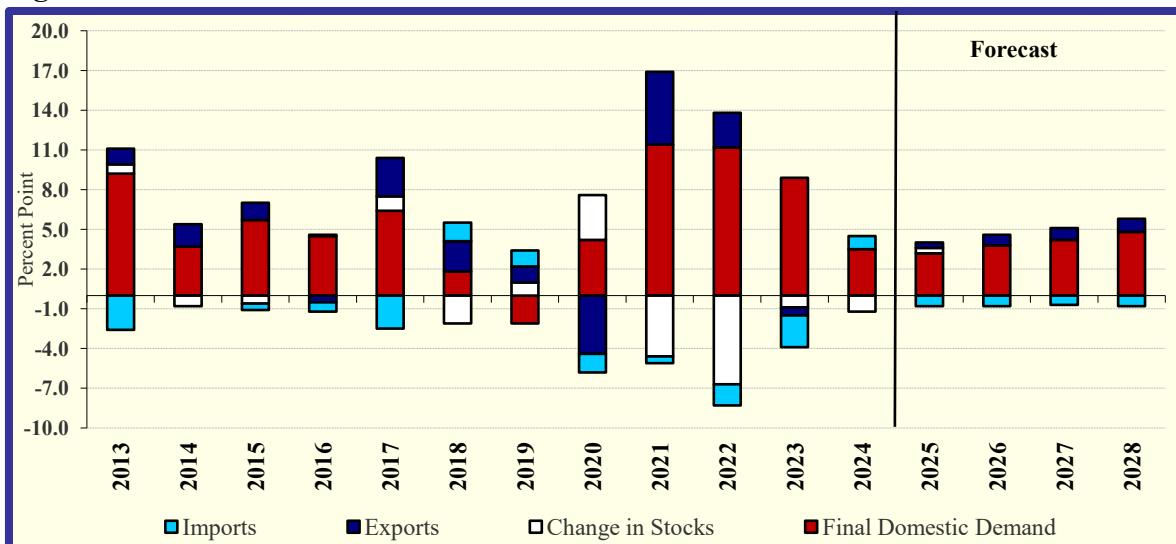
(1) The projections for public and private consumption are estimated by the Presidency of Strategy and Budget definition.

(2) Contribution to GDP growth

In the first three quarters of 2025, the ongoing rebalancing in economic activity continued to support disinflation as the effects of tight monetary policy became apparent. Growth stood at 3.7 percent for the first nine months of the year. During this period, private consumption expenditures increased by 3.8 percent and public consumption expenditures by 0.8 percent, with total consumption expenditures contributing 2.7 percentage points to growth. In the same period, total fixed capital investments increased by 7.7 percent, contributing 1.9 percentage points to growth. Net goods and services exports, however, affected negatively to growth by 0.9 percentage points due to real exchange rate developments and weak external demand. In the fourth quarter of 2025, demand indicators are expected to continue to stabilize as growth is projected to reach 3.3 percent for the year as a whole.

During the program period, the growth is projected to remain below its potential level, in harmony with the disinflation process. The sustainable growth structure is expected to be established with the support of investments in areas that will strengthen supply-side growth dynamics, resulting in an average annual growth rate of 4.4 percent. During this period, total consumption and total investment expenditures are expected to contribute 3.1 and 1.1 percentage points to growth, respectively, annually on average. Net exports are expected to contribute 0.1 percentage points to growth annually on average throughout the program period.

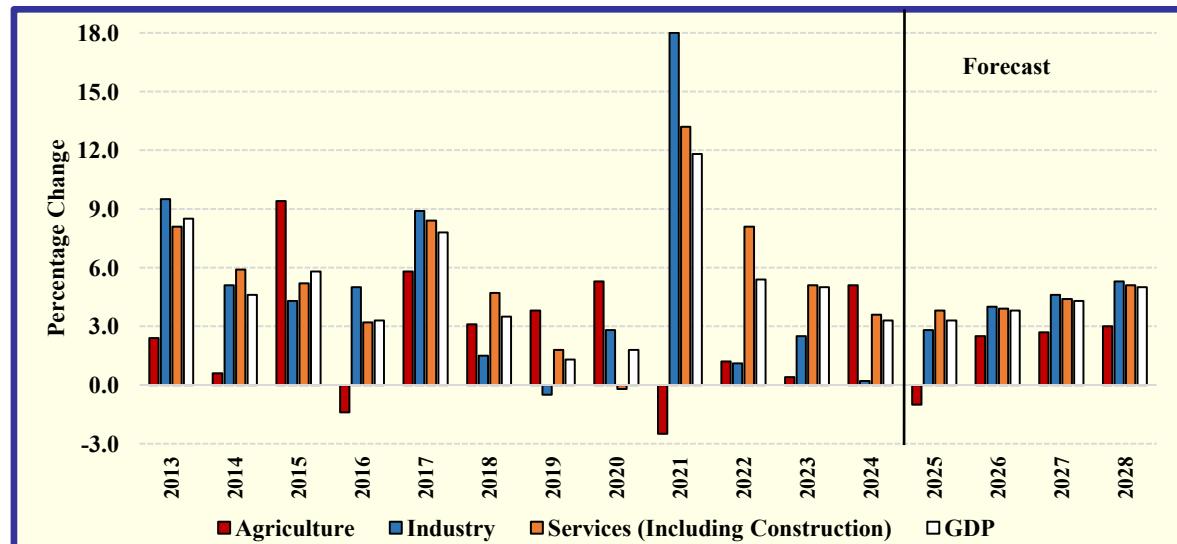
**Figure 3.10: Contribution to GDP Growth**



Source: Realization TURKSTAT, forecast Presidency of Strategy and Budget and MoTF

During the program period, with the support of effective industrial policies to be implemented under the 12<sup>th</sup> Development Plan (2024-2028) through a sectoral prioritization approach, the industrial sector is expected to grow at an average annual rate of 4.6 percent, while the services sector including construction and the agricultural sector are projected to grow at 4.5 percent and 2.7 percent, respectively. Technological renewal and sectoral transformation in the industrial sector, which is the driver of growth, will be decisive in increasing competitiveness. In addition, strengthening the R&D and innovation ecosystem, accelerating green and digital transformation, activating public infrastructure investments, increasing agricultural productivity, and improving the quality of human capital will bring efficiency gains in resource allocation to the fore.

**Figure 3.11: Value Added by Sectors**



Source: Realization TURKSTAT, forecast Presidency of Strategy and Budget and MoTF

### 3.2.1.2. Investment-Saving Balance

By the end of 2024, total investments as a percentage of GDP was realized at 30.7 percent. The share of fixed capital investments in GDP decreased slightly compared to the previous year, standing at 31.3 percent, while the share of investment from inventory changes, indicating a decline in inventories, stood at a negative 0.6 percent. During the same period, the ratio of domestic savings to GDP accounted for 30.1 percent, while the ratio of foreign savings utilization to GDP was 0.6 percent.

Despite the tight stance in monetary and fiscal policies in 2025, total fixed capital investment is expected to increase slightly to 31.9 percent of GDP compared to the previous year, driven by the expectation that reconstruction activities in the earthquake zone will contribute to the stable trend in domestic demand. Taking stock-related investments into account, total investments are expected to reach 32.0 percent of GDP.

**Table 3.5: Investment Saving Balance**

(Current Prices, GDP Ratio, %)

	Forecast				
	2024	2025	2026	2027	2028
Total Investment	30.7	32.0	32.1	32.2	32.1
Fixed Capital Formation	31.3	31.9	31.8	31.8	32.0
Changes in Stocks	-0.6	0.1	0.3	0.4	0.1
Total Savings	30.7	32.0	32.1	32.2	32.1
Domestic Savings	30.1	30.6	30.8	31.1	31.2
Foreign Savings	0.6	1.4	1.3	1.1	0.9

Source: Realization TURKSTAT, forecast Presidency of Strategy and Budget and MoTF

It is projected that in 2025, domestic savings as a percentage of GDP will increase to 30.6 percent compared to the previous year, while the use of foreign savings linked to the current account balance will be at 1.4 percent. Total savings as a percentage of GDP are estimated to be 32.0 percent for the year as a whole.

Supported by the tight policy stance envisaged in the program and the measures to be implemented to increase savings, domestic savings as a percentage of GDP are expected to reach 32.1 percent in 2028. Along with the projected increase in private sector savings, the public sector is also expected to contribute to the rise in domestic savings through the policies to strengthen public finance discipline. Accordingly, a slowdown in the external savings deficit is anticipated in line with the goal of improving the current account balance.

### 3.2.1.3. Sources of Growth

Scrutinizing the sources of growth in the Turkish economy in the long-run, capital accumulation has been the main driver of growth while the contribution of employment to growth has displayed a stable pattern and contribution of total factor productivity exhibits a fluctuating pattern (Table 3.6).

Despite increasing uncertainties at global and regional levels, weak external demand conditions, and tightening monetary policy measures in 2024, economic activity maintained its vitality. Construction investments remained strong throughout the year as a result of reconstruction efforts aimed at mitigating the negative effects of the earthquake disaster and this had a positive impact on fixed capital investments, a sustainable component of growth. Thus, capital accumulation and employment contributed positively to growth throughout the year. In this context, capital accumulation and employment contributed positively to the 3.3 percent growth rate by 1.8 and 1.9 percentage points, respectively, while total factor productivity contributed negatively by 0.4 percentage points to growth.

**Table 3.6: Developments in Factors of Production**

(2009=100 Chained Volume, Annual Change, %)

Period	Growth Rates					Contribution to Growth		
	GDP	Capital Stock	Capital Stock <sup>1</sup>	Emp.	TFP	Capital Stock	Emp.	TFP
1998-2024	4.6	6.4	6.1	2.1	0.9	53.6	27.6	18.8
2002-2024	5.4	6.6	6.9	2.4	1.2	51.2	26.8	22.0
2002-2007	7.2	7.4	9.8	1.0	2.7	54.6	8.5	37.0
2010-2024	5.7	6.3	7.2	3.1	0.9	51.1	32.8	16.1
2026-2028	4.4	4.9	5.5	2.5	0.7	50.8	34.3	14.8

Source: Presidency of Strategy and Budget calculations

(1) Capital stock increase corrected by capacity utilization rate.

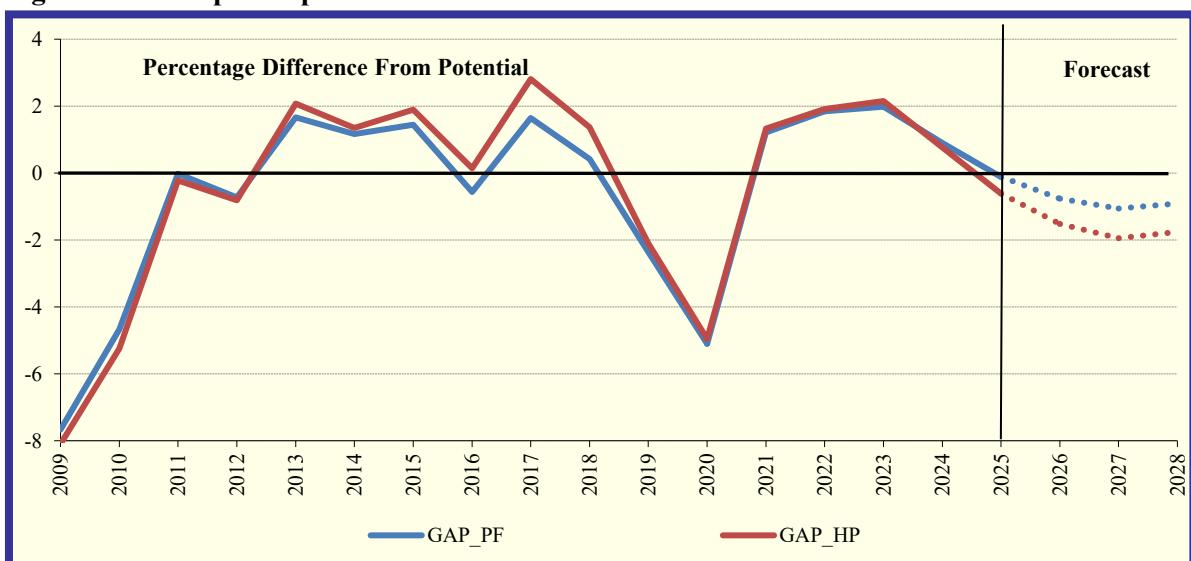
The growth rate was realized at 2.5 percent in the first quarter of 2025 thanks to the stabilization of domestic demand as a result of policies supporting the disinflation process. In the second quarter of the year, while calendar and base effects came to the forefront, growth reached 4.9 percent thanks to the recovery in investments and especially the strong performance of the construction and industrial sectors. The growth composition has a more balanced outlook as of the third quarter of 2025, and growth was 3.7 percent in the first nine months of the year compared to the same period of the previous year. The growth is expected to be 3.3 percent throughout the year with the balancing of domestic demand in the last quarter of the year, and capital accumulation and total factor productivity are anticipated to contribute by 1.3 and 2.0 percentage points to growth.

The policy framework envisaged during program periods includes ensuring that growth is supported by investments in productive areas, based on total factor productivity improvements, and structured in such a way that it does not create demand-driven inflationary pressures. Through these macroeconomic, financial and structural policies, which will be implemented with a holistic approach, the economic structure will be strengthened and competitiveness will be enhanced through the transformation achieved, and convergence toward long-term sustainable growth targets will be ensured. It is foreseen that the increase in investment, employment and productivity will maintain during program period thanks to the impact of policies that will strengthen the supply-side dynamics of growth. In this period, it is estimated that growth will be at 4.4 percent annually on average with the support of resources directed to productive areas, while capital stock, employment and TFP are expected to increase by 5.5 percent, 2.5 percent and 0.7 percent, respectively. Within the framework of the envisaged macroeconomic structure, the contribution of capital stock, employment and TFP to growth is expected to be 50.8 percent, 34.3 percent and 14.8 percent respectively, in a balanced composition.

### 3.2.1.4. Potential Output and Output Gap

Analyzing the output gap indicators estimated by alternative methods for evaluating the demand-side pressures on inflation and the growth cycles of the economy, the output gap, which has been in positive region due to strong supply and demand conditions after the Covid-19 pandemic, points to a weakening in demand conditions due to the tightening monetary policy stance as of the second half of 2023. It is estimated that the output gap, which has been gradually decreasing due to the weakening of aggregate demand conditions, will remain in negative region throughout 2025, along with the maintenance of a tight monetary stance as part of the fight against inflation. In this context, it is estimated that the production level will be slightly below the potential production level in 2025, under the 3.3 percent growth scenario throughout the year.

**Figure 3.12: Output Gap**



Source: Presidency of Strategy and Budget calculations

GAP\_PF: Output gap calculated by production function method

GAP\_HP: Output gap calculated by Hodrick-Prescott method

In the ERP (2026-2028) period, it is estimated that the growth will be around 4.4 percent annually on average, with the aim of strengthening the supply-side dynamics of growth, implementing structural transformations that support productivity increases, strengthening an innovative and technology-oriented production structure, improving the quality of human capital and implementing policies to strengthen institutional capacity. In this period, through the effect of the steps prioritizing to preserve and enhance the production potential, it is foreseen that the potential growth rate will increase by approximately 0.5 percentage points as a result of strong investment and employment growth in addition to productivity gains. Within the framework of the macroeconomic scenario, the current production level is anticipated to be slightly below the potential level to support the disinflation process, and it is not expected any demand-side pressure on inflation during the program period (Figure 3.12).

### 3.2.2. Labor Market

Labor market projections indicate that employment is expected to remain relatively stable in 2025 due to the impact of the disinflation process. During this period, a slight fall in the unemployment rate is anticipated, partly due to the fall in labor force participation. However, from 2026 onwards, unemployment rates are expected to decline gradually as employment growth outpaces increases in labor force participation. Employment growth is projected to increase gradually and to average 2.5 percent per year over the program period. As women participate more actively in the labor market, the labor force participation rate is expected to continue rising throughout the period and reach 56 percent by 2028. In this context, the unemployment rate is expected to decline to 7.8 percent in 2028.

**Table 3.7: Labor Market Developments**

	(15+ Age)				
	Realization		Forecast		
	2024	2025	2026	2027	2028
Working Age Population (Thousand Persons)	65,926	66,391	66,966	67,527	68,083
Labor Force Participation Rate (%)	54.2	53.7	54.4	55.1	56.0
Labor Force (Thousand Persons)	35,733	35,637	36,406	37,194	38,118
Employment	32,620	32,605	33,336	34,128	35,130
Agriculture	4,827	4,512	4,543	4,578	4,617
Non-Agriculture	27,793	28,093	28,793	29,550	30,513
Unemployed	3,113	3,032	3,070	3,066	2,988
Employment Growth (%)	3.1	0.0	2.2	2.4	2.9
Agriculture	2.8	-6.5	0.7	0.8	0.9
Non-Agriculture	3.2	1.1	2.5	2.6	3.3
Employment Rate (%)	49.5	49.1	49.8	50.5	51.6
Unemployment Rate (%)	8.7	8.5	8.4	8.2	7.8

Source: Realization TURKSTAT, forecast Presidency of Strategy and Budget

### **3.2.3. Balance of Payments**

At the global level, increasing uncertainty in trade policies particularly tariff related tensions and protectionist tendencies that have become more pronounced over the past year are expected to emerge as key factors exerting downward pressure on global trade in 2026. These developments are anticipated to weigh negatively on both the global economic outlook and the performance of world trade volumes in the period ahead. Nevertheless, through the continued implementation of export oriented policies, market diversification strategies, and measures aimed at enhancing competitiveness, Türkiye's share in global exports is expected to continue to increase, with total exports projected to reach 308.5 billion dollars by the end of the Program period.

Despite global economic fluctuations and heightened geopolitical uncertainties, the tourism sector, one of the key components of the services balance, continues to strengthen. In order to utilize Türkiye's potential in this area more effectively, emerging global trends will be closely monitored, and promotional, marketing, and cooperation activities in health, sports, and cultural tourism will be expanded to enhance service capacity. With a holistic approach aimed at spreading tourism activities throughout the year and across the country, thematic tourism types focusing on increasing revenue per visitor will be supported. In this context, travel revenues are expected to reach approximately 68.2 billion dollars by 2028. In the transportation sector, another major component of the services balance, infrastructure will be developed to strengthen Türkiye's position in global supply chains and to ensure the sustainability of exports to key markets in a shorter time frame and at lower cost. Accordingly, the services balance is projected to reach 75.3 billion dollars by the end of the Program period, thereby making a significant positive contribution to the current account balance.

Throughout the Program period, improvements in the current account balance will be pursued to mitigate risks stemming from external imbalances. In this regard, increasing product and market diversification in exports, strengthening strategic partnerships, supporting export financing, accelerating the green and digital transformation, enhancing competitiveness, and ensuring supply security will remain among the core policy priorities. As a result of these efforts, the current account deficit to GDP ratio is projected to decline to 1.0 percent by the end of the Program period, while the imports are expected to reach to 410.5 billion dollars.

Within the scope of enhancing product and market diversification in exports, the traditional structure of export products and markets will be further developed, the international visibility and recognition of the Türkiye brand will be strengthened, and opportunities arising from recent trends in global trade will be utilized to the maximum extent possible. To reinforce strategic partnerships, trade diplomacy instruments will be employed effectively to facilitate the negotiation of new trade agreements. Bilateral and multilateral dialogue and consultation mechanisms, particularly with friendly and neighboring countries, will be leveraged extensively, while cooperation efforts against common security threats and initiatives aimed at promoting regional peace will be sustained.

In order to support export financing, the business model and institutional capacity of Türk Eximbank will be strengthened in line with international best practices, and guarantee burdens on exporters will be reduced through the Export Development Inc. To enhance global competitiveness, compliance with international regulations will be reinforced through policies supporting green and digital transformation. In the context of adaptation to mechanisms such as the Türkiye Emissions Trading System and the Carbon Border Adjustment Mechanism, sector and product based risk and opportunity assessments will be conducted by analyzing the export outlook and competitiveness of carbon intensive sectors.

Within the framework of enhancing competitiveness and ensuring supply security, efforts to secure energy and agricultural supply, strengthen regional connectivity, and deepen ties with distant markets will be pursued in an integrated manner. Initiatives will be undertaken to position Türkiye as a regional energy trading hub. In the mining sector, efforts will focus on the development of domestic technologies and products based on research and development, and a nuclear technologies strategy and action plan will be prepared. The impacts of imports on domestic production will be comprehensively assessed, and policy measures aimed at enhancing competition will be implemented in line with international obligations.

**Table 3.8: Balance of Payments Forecasts**

	(Billion Dollars)				
	Realization		Forecast		
	2024	2025*	2026	2027	2028
<b>Current Account</b>	<b>-10.4</b>	<b>-22.0</b>	<b>-22.3</b>	<b>-20.5</b>	<b>-18.5</b>
Balance on Goods	-56.0	-67.3	-72.4	-76.7	-79.0
Total Exports	257.5	267.8	279.6	292.6	306.3
Exports (fob)	261.8	270.1	282.0	294.0	308.5
Total Imports	313.4	335.1	352.1	369.3	385.3
Imports (cif)	344.0	361.1	378.0	393.0	410.5
Balance on Services	61.4	63.2	65.3	70.4	75.3
Credit	117.2	121.9	127.0	134.2	140.8
Travel Revenues	56.3	59.2	61.8	64.5	68.2
Debit	55.8	58.6	61.8	63.8	65.5
Primary Income Balance	-15.9	-17.6	-15.2	-14.9	-15.6
Secondary Income Balance	0.1	-0.3	0.1	0.7	0.8

Source: Realization CBRT, forecast Presidency of Strategy and Budget and MoTF

\* 2025 October, annualized

Over the Program period, Türkiye's competitiveness and position within global value chains will be elevated to higher levels, and the potential of the services sector will be utilized more effectively. Alongside quantitative and qualitative gains in goods and services exports, policies encouraging high value-added and technology-intensive exports and reducing import dependency in critical products and technologies will further increase Türkiye's share in global exports. Consequently, the gradual and permanent improvement in the current account balance will strengthen economic and financial stability and continue to contribute to the disinflation process.

### **3.2.4. Monetary Policy**

The primary objective of the Central Bank of the Republic of Türkiye (CBRT) is to ensure price stability. The CBRT will continue to monitor financial stability, which is a supportive factor for lasting price stability. Monetary policy decisions will be made taking into account developments in all factors affecting price stability, including the detailed analysis of prices, inflation expectations and pricing behaviour, demand conditions that monetary policy can influence, supply-side developments, internal and external balance, savings propensity, and financial conditions including credit, as well as all other factors affecting price stability and the lagged effects of decisions.

Within the framework of the inflation targeting regime, the medium-term inflation target of 5 percent, determined jointly with the Government, has been maintained. The monetary policy stance will be determined to ensure that inflation remains on track with the target path, thereby sustaining the disinflation process. A change has been made to the communication strategy regarding the medium-term forecasts shared in the Inflation Report published by the CBRT every three months. Accordingly, in the disinflation process aiming to reach 5 percent in the medium term, year-end-focused interim targets have been set, which the CBRT has committed to and which economic units can use as a reference. The interim targets for 2025, 2026, and 2027 have been set at 24 percent, 16 percent and 9 percent, respectively. However, forecasts may be updated between Report periods. In the event of a deviation in year-end inflation realization from the interim target, in line with the principles of transparency and accountability, the accounting for the deviation will be shared with the public in the first and Inflation Report of the following year. In 2026, the inflation targeting regime will continue to be implemented in a manner that ensures price stability on a sustainable basis.

The tight monetary policy stance, which will be maintained until price stability is achieved, will strengthen the disinflation process through demand, exchange rate, and expectation channels. The decisions regarding the policy rate will be determined by taking into account realized and expected inflation and its underlying trend in a way to ensure the tightness required by the projected disinflation path. The step size is reviewed prudently on a meeting-by-meeting basis with a focus on the inflation outlook. If the inflation outlook deviates significantly from the interim targets, the monetary policy stance will be tightened. The CBRT will determine its policy decisions so as to create the monetary and financial conditions to achieve the medium-term inflation target of 5 percent.

The CBRT's primary policy tool is the one-week repo auction rate. Policies supporting the effectiveness of the monetary transmission mechanism will be maintained by ensuring that market interest rates move in line with policy rates. Should developments in the credit and deposit markets deviate from expectations, the monetary transmission mechanism will be supported by additional macroprudential measures. Liquidity conditions will be closely monitored, and liquidity management tools will continue to be used effectively.

The floating exchange rate regime will be maintained, and exchange rates will be determined by supply and demand in a free market environment. The CBRT does not pursue

any target regarding the level of exchange rates and will not engage in any foreign exchange purchase or sale transactions with the aim of determining the level or direction of exchange rates. The CBRT will closely monitor exchange rate developments and related risk factors to ensure the effective functioning of the foreign exchange market and, in this context, will take the necessary measures and use the relevant tools.

The CBRT attaches great importance to strengthening international reserves in terms of the effectiveness of monetary policy and financial stability. In this regard, the strategy of increasing reserves will be maintained as long as market conditions permit. The CBRT will continue to manage international reserves in accordance with the priorities of safe investment, liquidity, and return.

### **3.2.5. Financial Sector**

#### **3.2.5.1. Risks Towards Banking Sector**

##### ***Credit Risk***

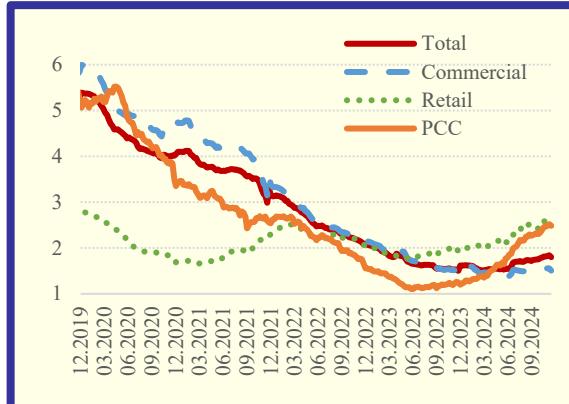
In 2025, there was a limited increase in the NPL ratio due to retail loans. The increase in the retail NPL ratio was driven by rising NPL additions in personal credit cards and general-purpose loans. In this context, as of November 2025, the total NPL ratio stands at 2.5 percent, the commercial NPL ratio at 1.9 percent, and the retail NPL ratio at 3.8 percent. While the retail credit NPL ratio is slightly above its historical average, the commercial credit NPL ratio is below its historical average (Figure 3.13). On commercial side, the NPL ratio for SME loans is 3 percent, while the NPL ratio for large companies is 1.2 percent.

The share of loans classified under stage 2 in total loans increased slightly in 2025 due to retail loans. The majority of these loans are non-overdue loans that banks categorize under stage 2 with a prudent approach based on TFRS 9 models. As of October 2025, the ratio of stage 2 loans and NPLs to gross loans increased by 1.1 percentage points to 11 percent, while the ratio of stage 2 loans with overdue payments and NPLs to gross loans similarly increased by 1.1 percentage points to 4.8 percent compared to the end of 2024.

Banks have continued to maintain high provisions for loans. As of October 2025, the provision ratios for standard, close monitoring and NPL loans were 0.6 percent, 13.1 percent and 74.8 percent, respectively. This situation indicates that banks are maintaining a cautious approach to credit risk management. The potential impact of a possible deterioration in loan repayments on banks' balance sheets and profitability is expected to be limited due to the provisions set aside. When all these developments are considered together, it is seen that the impact of tight financial conditions on the quality of banking sector assets is relatively limited.

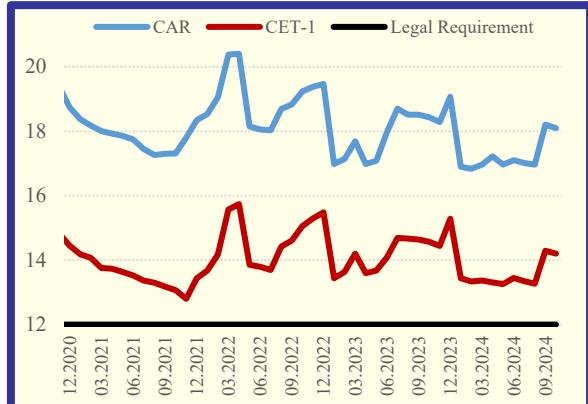
As of February 2025, the BRSA updated the general maturity and limit rules for consumer loans by considering macroeconomic data. Thus, general purpose credit limits determined according to maturity were raised, expanding households' access to finance. Additionally, under the BRSA decision of July 2025, individuals with personal credit cards and general-purpose credits who were late in paying their installment-period debts as of the due date were granted the opportunity to restructure their debts for up to 48 months.

**Figure 3.13: Nonperforming Loans Ratio (%)**



Source: CBRT, BRSA

**Figure 3.14: Capital Adequacy Ratio (%)**



Source: BRSA

### ***Capital Adequacy***

As of November 2025, capital adequacy ratio (CAR) of the banking sector was realized as 19.2 percent (November 2024: 18.3 percent), while the common equity Tier 1 (CET1) stood at 14.7 percent level (November 2025: 14.4 percent) (Figure 3.14). The capital adequacy ratios of all banks remained significantly above the legal limits and close to the long-term average.

The banking sector's regulatory capital was dominated by common equity Tier1 (CET1). While 77 percent of regulatory capital is composed of common equity, the main components of common equity are reserves and net profit for the period, accounting for 75 percent. In 2025, while the regulatory capital composition was similar to that of 2024, an increase in paid-in capital and banks' subordinated debt issuances in 2025 were observed to support their regulatory capital by increasing Tier 1 and Tier 2 subordinated debt instruments.

The banking sector's strong net interest income and profitability performance have supported capital. As of November 2025, the sector's return on equity stood at 28.4 percent, while its return on assets is 2.1 percent. The impact of the increase in net interest income on the sector's profitability was particularly evident in the third quarter of 2025, and this contribution is expected to continue in 2026.

### ***Exchange Rate and Liquidity Risk***

The share of liquid assets within the banking sector's total assets continues to remain above its historical averages. Alternative indicators such as the liquidity coverage ratio (LCR) and the loan-to-deposit (LTD) ratio also confirm the positive outlook in banks' liquidity positions. As of October 2025, the sector holds 175 billion dollars in external debt against 136 billion dollars in foreign-currency liquid assets. Additionally, the sector's short-term (one year or less) foreign-currency external debt stands at 79 billion dollars, and the coverage ratio of this debt by existing FX liquid assets has reached 172 percent. Supported by the decline in the country's risk premium and improvements in external financing conditions following credit rating upgrades, banks' external debt rollover ratio has risen to 121 percent.

Starting in mid-March 2025, due to the impact of fluctuations in financial markets, non-residents reduced their TL positions and depositors shifted to FX deposits, resulting in a decrease in excess TL liquidity in the system and the emergence of a liquidity deficit. However, with the recent increase in foreign investor interest and the strengthening of depositors' shift to TL deposits, the system has returned to excess liquidity and the steps were taken by the CBRT to sterilize excess liquidity.

The banking sector's currency risk remains at sustainable levels. In 2025, some firms shifted to FX to a limited extent to manage currency risk, and the demand for FX arising from closed KKM accounts led to a partial increase in FX deposits. In addition, the rise in the euro/dollar parity and the increase in gold prices had a significant impact on the increase in FX deposit balances in US dollars. The tightening of macroprudential measures on the FX loans has also limited the growth of FX loans. As of November 2025, the foreign currency net general position (FXNGP) was 0.5 billion dollars and the FXNGP/equity ratio was 0.5 percent, which is within the legal limit.<sup>3</sup>

### **3.2.5.2. Private Sector Indebtness**

#### ***Households***

The household financial debt relative to GDP ratio remains stable at a low level. This stable trend was driven by the implementation of a macroprudential policy set and tight financial conditions, offsetting the increase in debt stemming from personal credit cards (PCC) and overdraft accounts (ODA). As of the third quarter of 2025, the household debt to GDP ratio, which stood at 9.7 percent, is well below the average for developing countries (Figure 3.15). As of the third quarter of 2025, the leverage ratio (household's financial debt/financial asset ratio) had risen slightly compared to 2024, reaching 24.4 percent, well below its long-term average of 43 percent.

While household indebtedness remained stable, the share of PCC and ODA in the composition of debt increased. Various factors, including changing card usage habits stemming from digitalization, the cost of using cash, and restrictions on other types of unsecured loans, contributed to the increase in the PCC share. While the share of ODA, which provide consumers with easily accessible financing for short-term needs, has increased, its balance growth has slowed. This was influenced by the inclusion of ODAs exceeding three installments, excluding education expenses, in the loan growth limit regulation in the second quarter of the year. While the share of housing loans in personal loans, which was 36 percent on average in the 2012-2022 period, decreased to below 12 percent as of October 2025, the share of PCC increased, approaching 50 percent (Figure 3.16).

Despite tight financial conditions, macroprudential policies implemented for multiple home ownership, and the unchanged loan-to-value ratio updates, housing loan growth remained relatively high in the first half of 2025 due to the modest decline in loan interest

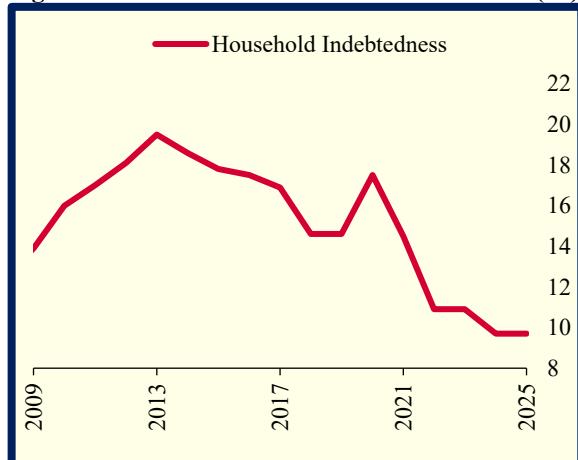
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<sup>3</sup> The legal limit for the FXNGP/capital ratio, which was 20 percent in the past, was reduced to 5 percent on 9 January 2023 and increased to 10 percent on 9 March 2023.

rates in the first quarter. While housing loans grew by 13 percent in the first half of 2025, housing loan growth slowed in the second half of 2025.

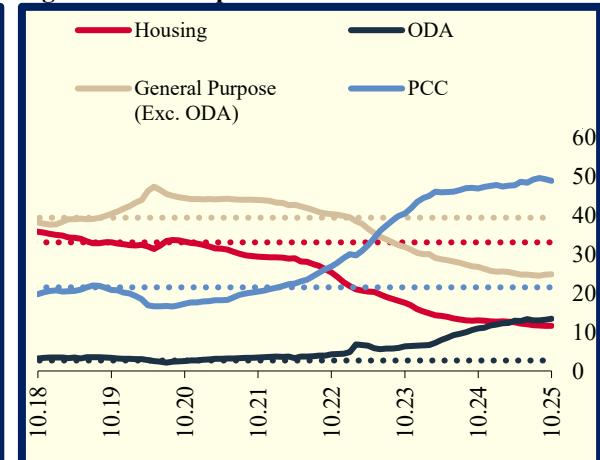
Vehicle sales campaigns and the normalized vehicle supply have a positive effect on new car sales. Meanwhile, the slowdown in vehicle loan usage continues due to the lack of price updates in the gradual loan-to-value ratio adjustment, which is implemented based on price, except for electric vehicles.

Figure 3.15: Household Debt/GDP (%)



Source: CBRT, TURKSTAT

Figure 3.16: Composition Household Financial Debt



Source: BRSA

### Real Sector

The ratio of TL financial debts of corporate sector firms to GDP remains below the historical and peer country average due to tight financial conditions and limits on TL loan growth. On the other hand, corporate sector's FX financial debts to GDP ratio has increased, facilitated by relatively lower FX borrowing costs and greater access to FX loans abroad. Accordingly, the ratio of total financial debts to GDP continued to stay below its historical and peer country averages. Since the end of 2023, corporate sector's debt-to-GDP ratio in Turkish lira and the total financial debt-to-GDP ratio have decreased by 4 and 5.7 percentage points, respectively, while the debt-to-GDP ratio in foreign currency has increased by 0.5 percentage points. Thus, Türkiye's corporate sector debt to GDP ratio (36.6 percent) remains significantly below the average of peer countries (60.8 percent) (Figure 3.17).

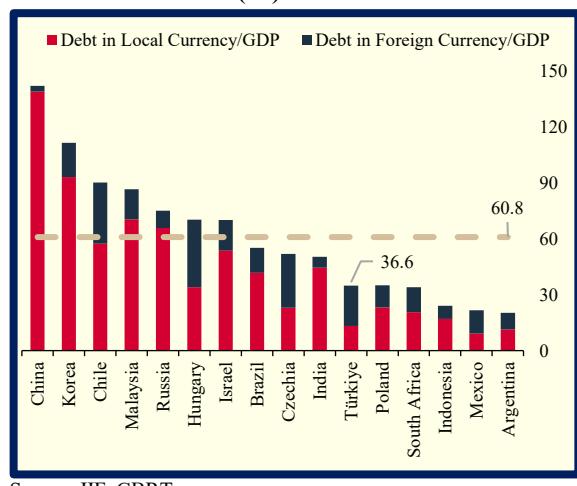
Since the end of 2024, the increase in the FX loans has pushed up the net FX position of the corporate sector while the limited increase in FX commercial deposits following the turbulence in financial markets after March 2025 offset this increase (Figure 3.18). By the measures such as reducing the FX loan growth limit to 0.5 percent and introducing the Resource Utilization Support Fund levy on domestic FX loan usage, the upward trend in net FX open position of the corporate sector has moderated.

Following measures on domestic FX loan growth limit, while the volume of domestic FX loans slowed down, the volume of foreign FX loans increased, which largely triggered the increase in total FX loans of the corporate sector. Foreign FX loans of the corporate sector increased by 17.5 billion dollars since 2024-end and reached 116 billion dollars as of September 2025. On the other hand, despite the increase in corporate sector FX debt, with

the ratio of the open position to export revenues is still below its historical average, indicating that corporate sector's capacity to cover their FX debt with export revenues continued to improve.

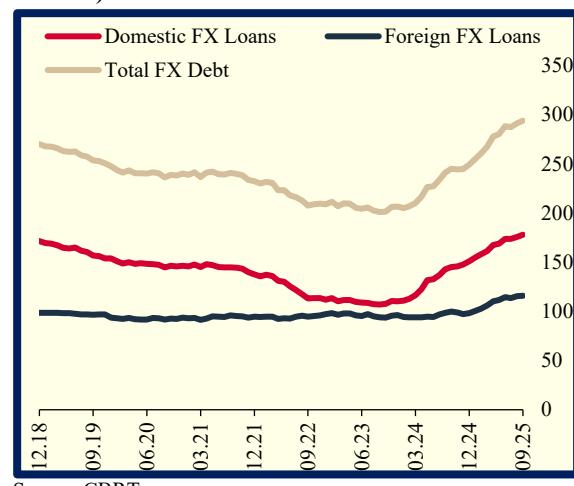
Corporate sector's access to foreign financing continues. The external debt rollover ratio, which has been on an upward trend since the third quarter of 2023, maintained its strong level at around 150 percent as of September 2025. The improvement in the macroeconomic outlook, expectations and the positive trend in external financing conditions kept the corporate sector firms' external debt rollover ratio high. In addition, the increase in the foreign bond issuances of the firms also supports the upward trend in the external debt rollover rates.

**Figure 3.17: Debt Indicators of Corporate Sector and Peer Countries (%)**



Source: IIF, CBRT

**Figure 3.18: FX Debt of Corporate Sector (Billion Dollars)**



Source: CBRT

### 3.3. Main Risks in Projections

The medium term outlook set out in the program carries some upside and downside risks depending on developments beyond the assumptions used in macroeconomic forecasts. In this context:

- Heightened uncertainty in global trade driven by tariff increases, coupled with elevated geopolitical tensions, is exerting downward pressure on the global economy, while supply-side shocks particularly in energy and commodity prices may pose upward risks to import prices.
- High levels of global public debt, expectations of a slowdown in global growth, and global financial vulnerabilities arising from the recent surge in interest in artificial intelligence investments may pose downside risks to the medium term outlook of the global economy.
- As inflation in advanced economies particularly in the US and the EU approaches target levels, the initiation of various monetary easing measures, including interest rate cuts and the termination of quantitative tightening, may support capital flows

to the Turkish economy and indirectly contribute to the disinflation process through the exchange rate channel.

- Maintaining the mild course in energy and agricultural commodity prices in the upcoming period as part of the global disinflation process may pose downside risks on energy and commodity prices to support the disinflation process in the Turkish economy, particularly through energy prices and pass-through channels.
- The persistent rigidity in services inflation as observed both domestically and globally and the slow improvement in expectations may keep upside risks to inflation alive.
- Adverse weather conditions ignited by the climate change are significant in terms of sustainability and food security, as well as price stability, and may cause downward macroeconomic risks.
- Favorable developments to occur in the EU accession process, Türkiye's inclusion in the Security Action for Europe (SAFE) Program which was established to enhance the EU's defence capacity and achieve this through joint procurement, and updating the Customs Union Agreement may have positive effects on foreign trade by eliminating asymmetric effects.

#### **4. FISCAL FRAMEWORK**

Fiscal policy will be implemented in a way that supports macroeconomic and financial stability, achieves price stability by reducing inflation to single digits in the medium term, enhances R&D and innovation capacity, ensures technological transformation with a focus on green and digital transformation, strengthens human capital, improve the efficiency of the labor market, improves the business and investment environment, and reduces informality in the economy.

During the program period, steps will continue to be taken to strengthen budget discipline, thereby increasing the role of public finance in supporting macroeconomic stability.

In order to increase efficiency in resource utilization, expenditures will continue to be systematically reviewed, inefficient spending areas will be eliminated, and public spending will be kept under control.

The equity and efficiency based structure of revenue policies will be strengthened by broadening the tax base, increasing voluntary tax compliance, and reviewing exemptions, exceptions and deductions, and a more balanced and robust revenue structure will be achieved by increasing the share of direct taxes in budget revenues.

Combating the informal economy will be supported through technological infrastructure and innovative approaches, and audit processes will be strengthened.

The general government balance calculated by the Presidency of Strategy and Budget covers institutions and organizations within the scope of the central government budget, local administrations, social security institutions, general health insurance, funds, revolving funds, and the Unemployment Insurance Fund. While obtaining the general government total expenditure and revenue figures, SEEs were excluded from the scope, the gross principle was taken as the basis in parallel with international standards, and no netting was made between revenue and expenditure items as a method.

In the calculation of expenditures and revenues of sub-units within the scope of the general government; a public revenue is recorded as revenue in the account of the unit that first obtains the revenue and as expenditure in the account of the unit that ultimately spends it. Thus, in transfer transactions between units within the scope, it is ensured that the relevant transfer amounts are not shown as expenditure in the institution making the transfer and as revenue in the institution to which the transfer is made. As a result of this transaction, the balance figures change for the institutions, but the total general government balance does not change. As a result of the aggregation of the expenditure and revenue sizes of the units calculated in this way, the general government total expenditures and revenues and the general government balance are reached.

Within the framework of the consolidation approach adopted when calculating overall government sizes;

- Shares and other transfers transferred to local administrations and funds from general budget tax revenues are cleared from central government budget expenditures and shown in the balance of the relevant local administration or fund,
- Current transfers transferred from the central government budget to the social security and general health insurance system are cleared from central government budget expenditures and revenues of the social security and general health insurance system,
- Amounts transferred from revolving fund enterprises, funds, and the Unemployment Insurance Fund to the central government budget are cleared from central government budget revenues and expenditures of relevant units,
- Fiscal relations between other sub-institutional units outside the central government budget within the scope of the general government are arranged in a way to prevent duplication.

#### **4.1. Fiscal Policy Strategy and Medium Term Objectives**

Fiscal policy will be implemented in a way that contributes to achieving price stability, keeping the current account deficit at manageable levels, improving income distribution, and increasing the productivity and competitiveness of the economy.

##### **4.1.1. Revenue Policies**

- Tax policies will be implemented on the basis of a sustainable and fair structure, in line with the principles of predictability and efficiency. The tax system will be utilized as an instrument to improve income distribution and to strengthen the investment climate.
- Tax policies will continue to prioritize revenue policies that support investment, employment, production, exports, and competitiveness in line with the principles of growth and social justice.
- During the program period, the share of direct tax revenues in the budget will be increased through measures targeting the informal economy and by reviewing the weight of indirect taxes in the budget.
- Efforts will continue to broaden the tax base and to enhance voluntary compliance in taxation in order to increase sustainable revenue sources in public financial management.
- Tax expenditures will be analyzed and ineffective exceptions, exemptions, and discounts will be adjusted.
- Taxpayer behaviors that are effective in full and timely payment of taxes and tax compliance problems will be analyzed and strategies that will contribute to increasing the level of compliance will be developed.
- A more comprehensive publication of tax statistics and tax reports will be ensured.

- The fight against the informal economy will continue with determination, and the disciplined and transparent management of public finances will be supported by increasing the effectiveness of auditing processes.
- The fight against the informal economy will be carried out through risk analysis activities supported by technological tools such as artificial intelligence and big data, with the active participation of all relevant stakeholders.
- In order to prevent informal economic activities, ensure fairness in taxation, support voluntary compliance, risks related to relevant sectors and areas will be identified using artificial intelligence and advanced analytical techniques, and the effectiveness of audits will be enhanced.
- Risk-oriented inspection activities based on data analysis will be increased in combating informal employment and unregistered wages in order to expand the premium base.
- Studies will be carried out to measure the size of the unregistered economy at the macro level, to calculate the tax gap on the basis of tax types, and to conduct policy-supporting analyses on combating the unregistered economy.
- Applications will be developed to address informality in digital activities.
- The Risk Analysis Assessment and Research (RADAR) System, which was established to prevent tax losses and evasion and unregistered economic activities, will be improved by integrating financial and economic data and feeding these data into sectoral and taxpayer-based risk scenarios.
- By utilizing artificial intelligence to detect acts of tax evasion, the use of forged documents that feed tax evasion will be prevented.
- Third party administrative data will be utilized more effectively in determining the accuracy of taxable transactions in tax audits.
- In order to prevent tax loss and evasion, to establish and ensure the proper functioning of the documentation system, widespread and intensive tax audits will be increased, thereby ensuring that the perception of tax inspection is ingrained among taxpayers, and voluntary compliance will be encouraged.
- In combating organized tax evasion, legislative work will be carried out in cooperation with the relevant institutions to ensure the effective conduct of tax evasion investigations.
- Efforts will be undertaken to ensure that real estate properties are properly valued and that transactions are carried out based on their actual values.
- The e-Lease Agreement application, which enables rental contracts to be securely prepared through the e-Government Gateway, will be expanded.

#### **4.1.2. Expenditure Policies**

- In order to increase efficiency in resource utilization, expenditures will continue to be systematically reviewed, and inefficient spending areas will be eliminated.
- Audit and monitoring activities related to cost-saving measures that will increase efficiency in public spending will continue.
- Rationalization efforts in the public investment program will continue and investments that generate economic and social benefits will be prioritized.
- Public procurement legislation will be updated in line with international norms and standards with a procurement approach that supports and prioritizes digitalization, innovation and sustainability, and sectoral public procurement regulation will be implemented.
- PPP projects will be planned and carried out by taking into account macroeconomic policies, public obligations and budget balances and by considering cost effectiveness with a balanced risk sharing.
- The effectiveness of financial management and control practices of public administrations will be increased, administrative capacities of internal audit units will be strengthened and monitoring and evaluation of internal control systems will be expanded.
- The use of public vehicles will be systematically reviewed within the framework of needs analysis and savings approach, and vehicles that are redundant or have completed their economic life will be liquidated, and in case of necessity, priority will be given to domestic production and environmentally friendly vehicles by considering economy in limited new vehicle acquisitions.
- Efficiency and savings in public expenditures will continue to be ensured through artificial intelligence-supported accounting systems, while supporting decision making processes and strengthening the risk-focused public financial auditing infrastructure.
- An Asset Management System will be developed to ensure the effective and efficient management of assets of public administrations.
- Spending principles of funds and revolving funds will be determined, and special income, funds, and similar applications will be reviewed to strengthen the implementation of the unity principle of the budget.
- A family-focused, inclusive and integrated social assistance program that guarantees a minimum income per capita and does not hinder labor force participation will be launched with a pilot project.
- Regarding public procurement and build-operate-transfer projects, infrastructure projects aligned with sustainability goals will be expanded in a way that takes the interest of international responsible investors.
- Public procurement processes will be digitized to increase auditing, accountability and transparency.

#### **4.1.3. Public Borrowing Policies**

The Ministry of Treasury and Finance executes debt management within the scope of Law No. 4749 on the Regulation of Public Finance and Debt Management. This Law establishes the principles of public debt and risk management as follows:

- To follow a sustainable, transparent, and accountable debt management policy in line with monetary and fiscal policies, while considering macroeconomic balances,
- To meet financing needs at the optimal cost levels in the medium and long term, and in accordance with the reasonable risk level determined by considering cost factors and domestic and foreign market conditions.

Net borrowing limit is described as the amount of difference between the initial budget appropriations and estimated revenues specified in the budget law of the relevant fiscal year. In line with the fifth article of the Law, this limit could be increased up to 5 percent within the year by considering the needs and developments in debt management. In the cases where such amount is not sufficient, an additional increase of five percent may be made only by President's decree.

Within the scope of accountable, transparent and sustainable borrowing policies which are compatible with the monetary and fiscal policies, ensuring the optimal cost target in the medium and long term at a reasonable risk level, strategic benchmarking policy has been continued since 2003. Depending on the cost and risk calculations, to manage the public debt efficiently against the liquidity, exchange rate and interest risks, the following strategic benchmarks and debt indicators will be the main pillars of the borrowing policy in 2026 as stated in the Treasury Financing Program published on the website of the Ministry of Treasury and Finance;

- To borrow mainly in TL,
- To borrow in foreign currencies besides US dollar, if possible, in international markets for market diversification,
- To keep the share of debt maturing within 12 months and the share of debt stock with interest rate refixing period of less than 12 months at a certain level, by taking into account appropriate instrument and maturity composition to optimize interest payments,
- To keep a strong level of cash reserve in order to reduce the liquidity risk associated with cash and debt management.

#### **4.2. Budget Implementations in 2025**

##### **4.2.1. Developments in the Central Government Budget Revenues and Expenditures**

The 2025 Central Government Budget Law allocated an appropriation of 14,731 billion TL for public administrations, with budget revenues estimated as 12,800.3 billion TL and a budget deficit of 1,930.7 billion TL.

According to the program, budget expenditures are projected to be below the initial budget allocation by 56.9 billion TL, standing at 14,674.1 billion TL by the end of the year, with a ratio of 23.6 percent of GDP.

In 2025, it is projected that the central government budget non-interest expenditures will be below the budget allocation by 159.6 billion TL, standing at 12,621.4 billion TL, with a ratio of 20.3 percent of GDP.

It is projected that 493.3 billion TL will be spent in 2025 for the reconstruction of the areas damaged by the earthquakes.

It is projected that central government budget revenues will be below the initial budget estimate by 334.5 billion TL, to be 12,465.9 billion TL. In this context, the ratio of central government budget revenues to GDP is expected to be 20.0 percent by the end of 2025.

Accordingly, the 2025 year-end budget deficit estimate was revised as 2,208.3 billion TL in the program. It is forecasted that the budget deficit, which was projected as 3.1 percent of GDP in the initial budget, will be 3.6 percent. The budget deficit excluding earthquake expenditures, on the other hand, is expected to be 2.8 percent of GDP.

**Table 4.1: Central Government Budget Balance 2025**

	(Billion TL)		(GDP Ratio, %)	
	Budget	RE.	Budget	RE.
<b>Central Government Budget</b>				
<b>Total Expenditures</b>	<b>14,731.0</b>	<b>14,674.1</b>	<b>23.9</b>	<b>23.6</b>
Primary Expenditures	12,781.0	12,621.4	20.8	20.3
Interest Payments	1,950.0	2,052.7	3.2	3.3
<b>Program Defined Expenditures</b>	<b>12,781.0</b>	<b>12,621.4</b>	<b>20.8</b>	<b>20.3</b>
<b>Total Revenues</b>	<b>12,800.3</b>	<b>12,465.9</b>	<b>20.8</b>	<b>20.0</b>
General Budget Tax Revenues	11,138.8	10,733.6	18.1	17.3
Other Revenues	1,661.6	1,732.3	2.7	2.8
<b>Program Defined Revenues</b>	<b>12,449.4</b>	<b>12,218.5</b>	<b>20.2</b>	<b>19.7</b>
<b>Budget Balance</b>	<b>-1,930.7</b>	<b>-2,208.3</b>	<b>-3.1</b>	<b>-3.6</b>
<b>Primary Balance</b>	<b>19.3</b>	<b>-155.6</b>	<b>0.0</b>	<b>-0.3</b>
<b>Program Defined Balance</b>	<b>-331.6</b>	<b>-402.9</b>	<b>-0.5</b>	<b>-0.6</b>

Source: Presidency of Strategy and Budget, MoTF

RE: Realization Estimate

In 2025, the total of personnel expenses, state premium expenses to social security institutions and personnel reserve allowances is expected to exceed the budget allocation by 184 billion TL, to reach 4,121.3 billion TL. The general salary increase rate for civil servants in 2025 was determined in the collective agreement as 6 percent in January and 5 percent in July, and the increase rate including inflation difference was 11.54 percent in January and 15.57 percent in July.

In 2025, expenditures on procurement of goods and services are expected to be 1,005 billion TL, 18.7 billion TL below the initial budget.

Current transfers, which were programmed at 5,813.4 billion TL in the 2025 budget, are expected to decrease by 288.3 billion TL to 5,525.2 billion TL by the end of the year. Payments to state-owned enterprises, transfers to the social security system, and the decrease

in the share of revenue allocated to local administrations and funds have been the main determinants of the decrease in current transfers.

Capital expenditures are expected to be 1,316.8 billion TL by the end of 2025, exceeding the initial allocation by 214.4 billion TL. The increase was driven by transfers from the investment acceleration allowance, as well as appropriation reallocations for earthquake-related expenditures and the fulfillment of institutions' additional appropriation requests.

Capital transfers, which were programmed as 338 billion TL in the 2025 budget, are expected to be 334.4 billion TL at the end of the year, in line with the budget allocation.

**Table 4.2: Central Government Budget Expenditures 2025**

	(Billion TL)		(GDP Ratio, %)	
	Budget	RE.	Budget	RE.
<b>Central Government Budget Expenditures</b>	<b>14,731.0</b>	<b>14,674.1</b>	<b>23.9</b>	<b>23.6</b>
Interest Payments	1,950.0	2,052.7	3.2	3.3
<b>Primary Expenditures</b>	<b>12,781.0</b>	<b>12,621.4</b>	<b>20.8</b>	<b>20.3</b>
Personnel Expenditures	3,475.5	3,672.3	5.6	5.9
State Social Sec. Contributions	435.0	449.0	0.7	0.7
Current Expenditures	1,023.7	1,005.0	1.7	1.6
Current Transfers	5,813.4	5,525.2	9.4	8.9
Capital Expenditures	1,102.4	1,316.8	1.8	2.1
Capital Transfers	338.0	334.4	0.5	0.5
Lending	306.1	318.8	0.5	0.5
Reserve Appropriations	286.9	0.0	0.5	0.0

Source: Presidency of Strategy and Budget, MoTF

RE: Realization Estimate

The lending item is expected to be 318.8 billion TL at the end of the year, 12.7 billion TL above the initial 2025 allocation. In 2025, interest expenses are expected to be 2,052.7 billion TL, 102.7 billion TL above the initial budget, due to the impact of the increase in borrowing costs and financing needs.

By the end of 2025, general budget tax revenues are expected to amount to 10,733.6 billion TL, which is 405.2 billion TL below the budget forecast, while non-tax revenues are projected to reach 1,732.3 billion TL, exceeding the budget forecast by 70.7 billion TL. In terms of GDP ratio, tax revenues are estimated to stand at 17.3 percent, while non-tax revenues are expected to be at the level of 2.8 percent.

Income tax collection is expected to reach 2,784 billion TL in 2025, exceeding the budget target by 654.4 billion TL, and amounting to 4.5 percent of GDP. This development has been driven by the course of deposit interest rates, the adjustments made to withholding tax rates on deposits and mutual funds, as well as the increases in wages.

**Table 4.3: Central Government Budget Revenues 2025**

	(Billion TL)		(GDP Ratio, %)	
	Budget	RE.	Budget	RE.
<b>Central Government Budget Revenues</b>	<b>12,800.3</b>	<b>12,465.9</b>	<b>20.8</b>	<b>20.0</b>
<b>General Government Revenues</b>	<b>12,629.6</b>	<b>12,112.0</b>	<b>20.5</b>	<b>19.5</b>
<b>Tax Revenues</b>	<b>11,138.8</b>	<b>10,733.6</b>	<b>18.1</b>	<b>17.3</b>
Income Tax Revenues	2,129.7	2,784.0	3.5	4.5
Corporate Tax Revenues	1,636.8	1,187.3	2.7	1.9
Taxes on Foreign Trade	2,449.3	1,993.4	4.0	3.2
Domestic VAT	1,496.4	1,463.2	2.4	2.4
SCT	2,121.3	1,948.3	3.4	3.1
Petroleum and Natural Gas	534.9	524.0	0.9	0.8
Motor Vehicles	799.5	704.7	1.3	1.1
Alcoholic Beverages	170.0	148.5	0.3	0.2
Tobacco	455.7	437.0	0.7	0.7
Other Beverages	17.7	18.7	0.0	0.0
Durable Goods and others	143.7	115.5	0.2	0.2
Other Taxes	1,305.3	1,357.4	2.1	2.2
<b>Nontax Revenues</b>	<b>1,490.9</b>	<b>1,378.4</b>	<b>2.4</b>	<b>2.2</b>
<b>Special Budget and Reg. and Superv. Ins.</b>	<b>170.7</b>	<b>353.9</b>	<b>0.3</b>	<b>0.6</b>

Source: Presidency of Strategy and Budget, MoTF

RE: Realization Estimate

Corporate tax collection in 2025 is expected to amount to 1,187.3 billion TL, which is 449.5 billion TL below the budget forecast, and to reach 1.9 percent of GDP. The expected decline has been driven by the effects of macroeconomic developments on the real economy and on the profitability and costs of corporations, as well as by the fact that the previous year's realization remained below the 2024 realization estimate that served as the basis for the initial 2025 projection.

Domestic VAT collection in 2025 is expected to be 1,463.2 billion TL, which is 33.2 billion TL below the budget forecast, and to reach 2.4 percent of GDP.

SCT collection in 2025 is estimated to be 1,948.3 billion TL, which is 173 billion TL below the budget forecast, and to reach 3.1 percent of GDP.

SCT collection from petroleum and natural gas products in 2025 is expected to amount to 524 billion TL, which is 11 billion TL below the budget forecast, and to reach 0.8 percent of GDP. This development has been driven by the fact that the D-PPI realization remained somewhat below the projected level.

SCT collection from motor vehicles in 2025 is expected to amount to 704.7 billion TL, which is 94.8 billion TL below the budget forecast, and to reach 1.1 percent of GDP. Although vehicle sales have exceeded projections, the increase in the share of electric and hybrid vehicles, which are subject to lower SCT rates compared to internal combustion engine vehicles, has contributed to this decline.

In 2025, SCT collection from tobacco products is expected to be 437 billion TL, which is 18.7 billion TL below the budget forecast, and to reach 0.7 percent of GDP, while SCT

collection from alcoholic beverages is expected to amount to 148.5 billion TL, which is 21.5 billion TL below the budget forecast, and to reach 0.2 percent of GDP.

In 2025, VAT collection on imports is projected to be 1,672 billion TL, which is 431 billion TL below the budget forecast, and to reach 2.7 percent of GDP. This development has been driven by the downward revision of the forecast for the change in imports in TL terms, as well as by the fact that the previous year's realization remained below the 2024 realization estimate that served as the basis for the initial 2025 projection.

In 2025, the total collection of inheritance and transfer tax, motor vehicle tax, valuable housing tax, gambling tax, special communication tax, digital service tax and accommodation tax is expected to be 264.4 billion TL, decreasing by 1.2 billion TL compared to the budget forecast.

In 2025, banking and insurance transactions tax collection is projected to amount to 537.2 billion TL, 7.1 billion TL below the budget forecast, and to reach 0.9 percent of GDP. Stamp tax collection is expected to be 223.2 billion TL, which is 7 billion TL above the budget forecast, and to reach 0.4 percent of GDP.

In 2025, revenues from fees are expected to amount to 332.4 billion TL, which is 53.7 billion TL above the budget forecast, and to reach 0.5 percent of GDP. It is assessed that the higher-than-expected number of mortgaged housing sales, as well as the efforts to collect title deed fees based on the actual values of real estate, have positively affected the collection.

In 2025, non-tax revenues are expected to be 1,732.3 billion TL, 70.7 billion TL above the budget forecast, and to reach 2.8 percent of GDP. This increase mainly stems from higher revenues from special revenues, fines and the revenues obtained from special budget administrations and regulatory and supervisory agencies.

**Table 4.4: Central Government Budget Balance**

	(GDP Ratio, %)			
	2022	2023	2024	2025
<b>Expenditures</b>	<b>19.2</b>	<b>24.3</b>	<b>24.2</b>	<b>23.6</b>
<b>Primary Expenditures</b>	<b>17.2</b>	<b>21.8</b>	<b>21.3</b>	<b>20.3</b>
Personnel Expenditures	4.0	4.9	6.0	5.9
State Social Sec. Contributions	0.6	0.7	0.7	0.7
Current Expenditures	1.7	1.7	1.7	1.6
Current Transfers	7.3	8.8	8.7	8.9
Capital Expenditures	1.8	2.0	2.1	2.1
Capital Transfers	0.3	3.2	1.4	0.5
Lending	1.4	0.6	0.7	0.5
Reserve Appropriation	0.0	0.0	0.0	0.0
<b>Interest Payments</b>	<b>2.0</b>	<b>2.5</b>	<b>2.8</b>	<b>3.3</b>
<b>Revenues</b>	<b>18.3</b>	<b>19.2</b>	<b>19.5</b>	<b>20.0</b>
Tax Revenues	15.4	16.6	16.4	17.3
Non-Tax Revenues	2.6	2.4	2.5	2.4
Capital Revenues	0.1	0.1	0.1	0.1
Grants, Aids and Special Revenues	0.2	0.1	0.5	0.3
<b>Primary Surplus</b>	<b>1.1</b>	<b>-2.6</b>	<b>-1.9</b>	<b>-0.3</b>
<b>ProgramDefined Primary Surplus</b>	<b>-0.1</b>	<b>-3.6</b>	<b>-2.7</b>	<b>-0.6</b>
<b>Borrowing Requirement</b>	<b>0.9</b>	<b>5.1</b>	<b>4.7</b>	<b>3.6</b>

Source: Presidency of Strategy and Budget, MoTF

Within the scope of Law No. 7440, which was implemented in 2023, a total of 16 billion TL was collected in the first nine months of 2025. When other regulations concerning the restructuring of public receivables that entered into force in previous years are taken into account, total restructuring revenues amounted to 17 billion TL in the January-September 2025 period.

#### **4.2.2. Developments Regarding General Government Revenues and Expenditures**

In 2024, despite the decline in earthquake-related expenditures, general government expenditures to GDP increased compared to the previous year, mainly due to increases in personnel expenses, pension payments and interest expenditures. At the same time, general government revenues to GDP driven by the strong performance in non-tax revenues and premium collections also increased.

The ratio of general government revenues to GDP increased by 1.4 points in 2024 compared to 2023, reaching 31.1 percent. Compared to the previous year, non-tax revenues increased by 0.6 points, premium revenues by 1.1 points, while tax revenues decreased by 0.2 points.

The ratio of general government expenditures to GDP increased by 1.0 point in 2024 compared to 2023, reaching 35.7 percent. During this period, current expenditures increased by 1.5 points, current transfers increased by 1.2 points, while investment expenditures decreased by 0.1 points and capital transfers decreased by 1.6 points.

As a result of the developments in general government revenues and expenditures, the general government deficit decreased by 0.4 points compared to the previous year and realized as 4.6 percent of GDP in 2024.

In 2025, general government revenues are expected to increase by 0.4 points compared to the previous year, reaching 31.5 percent of GDP. In this context, tax revenues are expected to increase by 0.9 points, while premium revenues decrease by 0.1 points and factor incomes decrease by 0.4 points compared to the previous year.

In 2025, general government expenditures are expected to decrease by 1.1 points compared to 2024, reaching 34.6 percent of GDP. During this period, it is projected that investment expenditures will decrease by 0.2 points, capital transfers by 1.1 points, while current transfers increase by 0.2 points.

In this context, the general government deficit, which was 4.6 percent of GDP in 2024, is expected to decline to 3.1 percent in 2025. In the same period, the general government non-interest borrowing requirement is expected to improve by 2.0 points, resulting in a surplus of 0.3 percent of GDP.

**Table 4.5: General Government Revenues and Expenditures - 1**

	2022	2023	2024	(GDP Ratio, %) 2025
Taxes	15.5	16.7	16.5	17.4
Direct	5.8	5.5	5.5	6.6
Indirect	9.5	10.8	10.7	10.6
Wealth	0.3	0.4	0.3	0.3
Non-Tax Revenues	1.3	1.3	1.9	1.9
Factor Incomes	4.1	4.4	4.4	4.0
Social Funds	6.3	7.2	8.3	8.1
Total	27.2	29.6	31.1	31.4
Privatization Revenues	0.0	0.0	0.0	0.0
<b>Total Revenues</b>	<b>27.3</b>	<b>29.6</b>	<b>31.1</b>	<b>31.5</b>
Current Expenditures	11.9	13.6	15.0	15.0
Investment Expenditures	2.8	3.0	2.9	2.7
Fixed Investment	2.7	2.9	2.8	2.7
Change in Stocks	0.1	0.1	0.0	0.0
Transfer Expenditures	13.3	18.2	17.8	16.9
Current Transfers	11.8	14.5	15.7	15.9
Capital Transfers	1.6	3.7	2.1	1.0
Stock Revaluation Fund	0.0	0.0	0.0	0.0
<b>Total Expenditures</b>	<b>28.1</b>	<b>34.7</b>	<b>35.7</b>	<b>34.6</b>
<b>Borrowing Requirement</b>	<b>0.8</b>	<b>5.1</b>	<b>4.6</b>	<b>3.1</b>
<b>Borrowing Req. Exc. Privatization Revenues</b>	<b>0.8</b>	<b>5.1</b>	<b>4.7</b>	<b>3.2</b>
<b>Primary Expenditures</b>	<b>25.9</b>	<b>32.2</b>	<b>32.7</b>	<b>31.1</b>
<b>Borrowing Rec. Exc. Interest Payments</b>	<b>-1.3</b>	<b>2.5</b>	<b>1.7</b>	<b>-0.3</b>
<b>Program Defined Primary Surplus</b>	<b>-0.1</b>	<b>-3.7</b>	<b>-2.8</b>	<b>-0.4</b>

Source: Presidency of Strategy and Budget

In the same period, the program-defined general government deficit, which was 2.8 percent, is expected to decline to 0.4 percent. The EU defined general government debt stock, on the other hand, which was 23.6 percent of GDP in 2024, is expected to reach 24.6 percent in 2025.

### 4.3. Budget Plan for 2026

In 2026, central government budget expenditures are expected to increase by 29.3 percent compared to the 2025 year-end estimate, reaching 18,978.8 billion TL. The ratio of central government budget expenditures to GDP is expected to be 1.0 point above the previous year's estimate, standing at 24.6 percent.

In the 2026 budget, 652.8 billion TL has been allocated for the reconstruction of the earthquake zone and the reduction of disaster risks. This amount corresponds to 0.8 percent of GDP.

**Table 4.6: Central Government Budget Expenditures 2026**

	(Billion TL)			(GDP Ratio, %)	
	2025 RE	2026	Incr. %	2025 RE	2026
<b>Central Government Budget</b>	<b>14,674.1</b>	<b>18,978.8</b>	<b>29.3</b>	<b>23.6</b>	<b>24.6</b>
Interest Payments	2,052.7	2,741.7	33.6	3.3	3.5
<b>Primary Expenditures</b>	<b>12,621.4</b>	<b>16,237.2</b>	<b>28.6</b>	<b>20.3</b>	<b>21.0</b>
Personnel Expenditures	3,672.3	4,907.3	33.6	5.9	6.4
State Social Sec. Contributions	449.0	599.7	33.6	0.7	0.8
Current Expenditures	1,005.0	1,249.6	24.3	1.6	1.6
Current Transfers	5,525.2	6,870.8	24.4	8.9	8.9
Capital Expenditures	1,316.8	1,312.3	-0.3	2.1	1.7
Capital Transfers	334.4	525.4	57.1	0.5	0.7
Lending	318.8	397.1	24.6	0.5	0.5
Reserve Appropriations	0.0	375.0	---	0.0	0.5

Source: Presidency of Strategy and Budget, MoTF  
RE: Realization Estimate

Total personnel expenses in 2026 have been determined by taking into account that the general salary and wage increase rates agreed in collective agreements were set at 11 percent in January and 7 percent in July for civil servants, at 10 percent in January and 6 percent in July for workers. In addition, the effects of potential inflation differentials arising from inflation realizations were also taken into consideration. In this context, total personnel expenses in 2026 are estimated to amount to 5,542.0 billion TL, with their ratio to GDP expected to increase by 0.5 points compared to the previous year, reaching 7.2 percent.

In 2026, expenditures on goods and services are expected to reach 1,249.6 billion TL, representing 1.6 percent of GDP, the same level as the previous year.

Current transfers are expected to be 6,870.8 billion TL in 2026, corresponding to 8.9 percent of GDP. A significant portion of current transfer expenditures consists of transfers to the health and social security system and shares transferred from general budget tax revenues to local administrations and funds. In this context, transfers to the health and social security system are expected to amount to 2,429.6 billion TL, while shares to be transferred to local administrations and funds are projected at 2,340.9 billion TL. In addition, appropriations of 392.1 billion TL and 340 billion TL have been allocated to state-owned enterprises and public banks as assignment expenses; 167.6 billion TL to agricultural transfers; 52 billion TL to the disaster-resilient cities project and 48 billion TL to the on-site transformation project in the earthquake zone, respectively.

In 2026, capital expenditures are expected to amount to 1,312.3 billion TL, corresponding to 1.7 percent of GDP. Within this scope, an appropriation of 198.8 billion TL is envisaged for the construction and renovation of service buildings and facilities of public institutions damaged in the earthquake zone, as well as for other earthquake-related expenditures.

Capital transfers are expected to be 525.4 billion TL in 2026, corresponding to 0.7 percent of GDP. In this context, an allocation of 345 billion TL has been foreseen for the construction of earthquake housing and infrastructure expenses, 100 billion TL for social

housing construction, 9.9 billion TL for KÖYDES, 5.5 billion TL for SUKAP and 780 million TL for SOGEP. In addition, 10.2 billion TL for Turkish Republic of Northern Cyprus (TRNC) and 18.2 billion TL for TUBITAK R&D projects have been allocated.

It is expected that the lending item will be 397.1 billion TL in 2026, corresponding to 0.5 percent of GDP. In this context, 307.5 billion TL of the amount has been allocated to SEEs and 4 billion TL to the Credit Guarantee Institutions. Moreover, an allocation of 36.2 billion TL has been envisaged for education and fee loans and 4 billion TL for loans granted to the TRNC.

In 2026, interest expenses are expected to be 2,741.7 billion TL, corresponding to 3.5 percent of GDP.

In 2026, central government budget revenues are expected to increase by 30.5 percent compared to the 2025 year-end estimate, reaching 16,266.1 billion TL. The ratio of central government budget revenues to GDP is expected to be 1.0 point above the previous year's estimate, standing at 21.1 percent.

**Table 4.7: Central Government Budget Revenues 2026**

	(Billion TL)		(GDP Ratio, %)		
	2025 RE.	2026	Incr.	2025 RE.	2026
<b>Central Government Budget Revenues</b>	<b>12,465.9</b>	<b>16,266.1</b>	<b>30.5</b>	<b>20.0</b>	<b>21.1</b>
<b>General Government Revenues</b>	<b>12,112.0</b>	<b>16,036.9</b>	<b>32.4</b>	<b>19.5</b>	<b>20.7</b>
<b>Tax Revenues</b>	<b>10,733.6</b>	<b>13,833.1</b>	<b>28.9</b>	<b>17.3</b>	<b>17.9</b>
Income Tax Revenues	2,784.0	3,517.0	26.3	4.5	4.6
Corporate Tax Revenues	1,187.3	1,613.2	35.9	1.9	2.1
Taxes on Foreign Trade	1,993.4	2,496.0	25.2	3.2	3.2
Domestic VAT	1,463.2	1,950.5	33.3	2.4	2.5
SCT	1,948.3	2,531.5	29.9	3.1	3.3
Petroleum and Natural Gas	524.0	656.5	25.3	0.8	0.8
Motor Vehicles	704.7	950.8	34.9	1.1	1.2
Alcoholic Beverages	148.5	191.1	28.7	0.2	0.2
Tobacco	437.0	562.7	28.8	0.7	0.7
Other Beverages	18.7	23.5	25.6	0.0	0.0
Durable Goods and others	115.5	147.0	27.2	0.2	0.2
Other Taxes	1,357.4	1,724.8	27.1	2.2	2.2
<b>Nontax Revenues</b>	<b>1,378.4</b>	<b>2,203.7</b>	<b>59.9</b>	<b>2.2</b>	<b>2.9</b>
<b>Special Budget and Reg. and Superv. Ins.</b>	<b>353.9</b>	<b>229.3</b>	<b>-35.2</b>	<b>0.6</b>	<b>0.3</b>

Source: Presidency of Strategy and Budget, MoTF

RE: Realization Estimate

As a share of GDP, general budget tax revenues in 2026 are expected to reach 17.9 percent, increasing by 0.6 percentage points compared to the realization estimate of 2025, while non-tax revenues are projected to reach 3.1 percent, rising by 0.4 percentage points.

As a result, central government budget revenues are expected to increase by 1.0 percentage point and reach 21.1 percent of GDP in the same period. The increase in tax revenues is expected to stem from corporate tax, income tax, domestic VAT, SCT and collections from fees. On the other hand, the increase in non-tax revenues is mainly projected to originate from capital revenues, revenues from permits for the use of property and the right to operate and other miscellaneous revenues.

In 2026, activities aimed at enhancing efficiency and equity in taxation and reducing informality will continue. In this context, the total collection of taxes on income, profits, and capital gains, primarily driven by corporate tax, is expected to increase by 0.3 percentage points compared to the realization estimate of 2025 and to reach 6.6 percent of GDP.

Domestic VAT collection in 2026 is expected to reach 2.5 percent of GDP, increasing by 0.2 percentage points compared to the previous year's estimate.

In 2026, the ratio of SCT collection to GDP is estimated to increase by 0.1 percentage points compared to the previous year's realization estimate and to reach 3.3 percent.

In 2026, the ratio of VAT collection on imports to GDP is expected to remain at the same level as the previous year's realization estimate, at 2.7 percent, depending on exchange rate and import projections.

In 2026, the total collection from inheritance and transfer tax, motor vehicle tax, valuable housing tax, gambling tax, special communication tax, digital service tax and accommodation tax is expected to remain at 0.4 percent of GDP, the same level as the realization estimate of 2025.

In 2026, the non-tax revenues of the central government budget are estimated to be 0.4 percentage points higher than the previous year's realization estimate and to reach 3.1 percent of GDP.

#### **4.4. Medium Term Perspective**

General government revenue and expenditure estimates for the 2026-2028 period are based on the estimated macroeconomic framework as well as main assumptions as follows:

- In order to ensure fiscal discipline, public expenditures will be rationalized, their effectiveness will be increased, and savings will be made in current expenditures.
- Public personnel salary and wage increases were determined as 11 percent and 7 percent in January and July 2026, respectively.
- In order to increase efficiency in resource utilization, expenditures will continue to be systematically reviewed, and inefficient spending areas will be eliminated.
- By taking into account the balanced distribution of income, tax justice will be strengthened, the tax base will be expanded and tax collection will be increased.
- Permanent expenditures will not be created in return for temporary resources created by incomes that are not continuous and are sensitive to the conjuncture.

- SEE prices will be determined in line with the program targets.

In 2026, the ratio of general government revenues to GDP is expected to increase by 1.7 points compared to the previous year and reach 33.2 percent. In this context, tax revenues are expected to increase by 0.8 points, premium revenues by 0.6 points, non-tax revenues by 0.3 points, privatization revenues by 0.2 points while factor incomes are expected to decrease by 0.2 points.

General government expenditures to GDP are expected to increase by 1.7 points compared to the previous year and rise to 36.3 percent in 2026. During this period, current expenditures are expected to increase by 0.6 points, capital transfers by 0.4 points, current transfers by 1.0 point while investment expenditures are expected to decrease by 0.3 points.

In line with these developments, the general government deficit ratio to GDP is expected to remain at the same level as the previous year in 2026, at 3.1 percent. During the same period, the general government primary balance is expected to improve by 0.2 points and stand at 0.6 percent surplus.

**Table 4.8: General Government Revenues and Expenditures - 2**

	2025	2026	2027	(GDP Ratio, %) 2028
Taxes	17.4	18.2	18.2	18.3
Direct	6.6	6.9	6.9	7.0
Indirect	10.6	10.9	10.9	10.9
Wealth	0.3	0.4	0.4	0.4
Non-Tax Revenues	1.9	2.2	2.3	2.3
Factor Incomes	4.0	3.8	3.6	3.5
Social Funds	8.1	8.7	9.0	9.0
Total	31.4	32.9	33.1	33.1
Privatization Revenues	0.0	0.2	0.1	0.0
<b>Total Revenues</b>	<b>31.5</b>	<b>33.2</b>	<b>33.2</b>	<b>33.2</b>
Current Expenditures	15.0	15.6	15.7	15.8
Investment Expenditures	2.7	2.4	2.6	2.7
Fixed Investment	2.7	2.4	2.5	2.7
Change in Stocks	0.0	0.0	0.0	0.0
Transfer Expenditures	16.9	18.3	17.6	17.3
Current Transfers	15.9	16.9	16.8	16.4
Capital Transfers	1.0	1.4	0.9	0.8
Stock Revaluation Fund	0.0	0.0	0.0	0.0
<b>Total Expenditures</b>	<b>34.6</b>	<b>36.3</b>	<b>35.9</b>	<b>35.7</b>
<b>Borrowing Requirement</b>	<b>3.1</b>	<b>3.1</b>	<b>2.7</b>	<b>2.6</b>
<b>Borrowing Req. Exc. Privatization Revenues</b>	<b>3.2</b>	<b>3.4</b>	<b>2.7</b>	<b>2.6</b>
<b>Primary Expenditures</b>	<b>31.1</b>	<b>32.6</b>	<b>32.3</b>	<b>32.3</b>
<b>Borrowing Rec. Exc. Interest Payments</b>	<b>-0.3</b>	<b>-0.6</b>	<b>-0.9</b>	<b>-0.9</b>
<b>Program Defined Primary Surplus</b>	<b>-0.4</b>	<b>-0.2</b>	<b>0.2</b>	<b>0.3</b>

Source: Presidency of Strategy and Budget

#### 4.5. Structural and Cyclical General Government Balance

Actual general government balance covers temporary effects resulted from economic fluctuations as well as one-off measures taken. In addition, structural general government balance, which has become crucial with adopting the multi-year budgetary process, reflects the revenue and expenditure levels under the assumption that the economy is at its potential level.

The actual general government balance analyzed in this section does not cover the privatization revenues and one-off revenues and expenditures. In this way, the effect of cyclical developments in economic activities is aimed to be seen clearly.

In 2024, despite the effects of austerity measures taken, lower-than-expected earthquake expenditures, implementations to increase revenue collection efficiency, the actual budget deficit, excluding the privatization revenues and one-off measures, increased, compared to previous year. In the same year, Social Security Institution (SSI) and unemployment fund balance recovered to some extent while fund's expenditures decreased. As a result of these developments, the deterioration in the ratio of structural general government deficit to potential GDP was realized as 0.5 percentage points, while the deterioration in the actual general government deficit to GDP was 0.7 percentage points, compared to previous year.

**Table 4.9: General Government Balance Analysis<sup>1</sup>**

Output Gap (Y/Y <sup>p</sup> ) <sup>2</sup>	General Government Balance / GDP		Primary General Government Balance / GDP		Cyclical Balance / GDP
	Actual Balance	Structural Balance <sup>3</sup>	Actual Balance	Structural Balance <sup>3</sup>	
2018	0.42	-4.16	-3.94	-2.08	-1.85
2019	-2.36	-5.55	-4.04	-3.10	-1.65
2020	-5.11	-4.81	-1.91	-2.04	0.71
2021	1.21	-2.75	-2.22	-0.18	0.38
2022	1.85	0.29	-0.31	2.41	1.84
2023	1.98	-1.68	-2.78	0.88	-0.16
2024	0.90	-2.42	-3.24	0.56	-0.24
2025	-0.11	-1.75	-1.97	1.71	1.48
2026	-0.77	-2.06	-1.96	1.64	1.71
2027	-1.06	-2.02	-1.77	1.52	1.73
2028	-0.91	-1.94	-1.74	1.48	1.65

Source: Presidency of Strategy and Budget calculations

(1) It refers to balance excluded public claims restructuring, zoning amnesty, 2B revenues, privatization and other one-off revenues and expenditures.

(2) Percentage difference from potential. The potential output is calculated using production function method.

(3) Structural balance is ratio of potential GDP.

In 2025, budget's one-off revenues, such as zoning amnesty, tax amnesty, additional taxes, reach 0.05 percent; and one-off expenditures, such as support payments and earthquake, reach 1.5 percent, as a share of GDP. In addition, in the same year, the privatization fund is expected to generate 0.03 percent of privatization revenue, as a share of GDP and the effect of the ratio of social security institutions premium debts restructuring to GDP is expected to be 0.1 percent. In 2025, it is seen that the influence of the economic fluctuations expansionary pressure on actual general government balance appears to be relatively limited. On the other hand, the contractionary impact of one-off revenue and expenditure measures on actual balance, due to the expenditure measures increased relatively, compared to previous year, reached 1.4 percent, as a share of GDP.

In 2025, despite the rise in interest payments, due to the impact of increased borrowing cost and financing needs, a slight decline in current and transfer expenditures caused a decrease in budget expenditures. This limited decline in budget expenditures has been accompanied by improvements in income tax, indirect taxes, and various non-tax revenues. Maintaining the real increase in general budget tax revenues shares and increase in wage-tariff levels caused to an improvement in the local governments balance. While the SSI balance deteriorated due to a decrease in its incomes, particularly premium incomes, the balance of fund is improving as its revenues are increasing more than its expenditures. As a result of these developments, the ratio of structural general government deficit to potential GDP is expected to be 2.0 percent by a 1.3 points decrease and primary structural balance is expected to improve by 1.7 points, turning into a surplus and expected to be 1.5 percent, compared to previous year.

When examining the relationship between structural balance and the change in the output gap compared to the previous year during the 2026-2028 period, it is observed that the policies planned to be implemented, by moving in the same direction as the economic cycle, amplify the effects of economic fluctuations.

**Table 4.10: Fiscal Stance and Output Gap<sup>1</sup>**

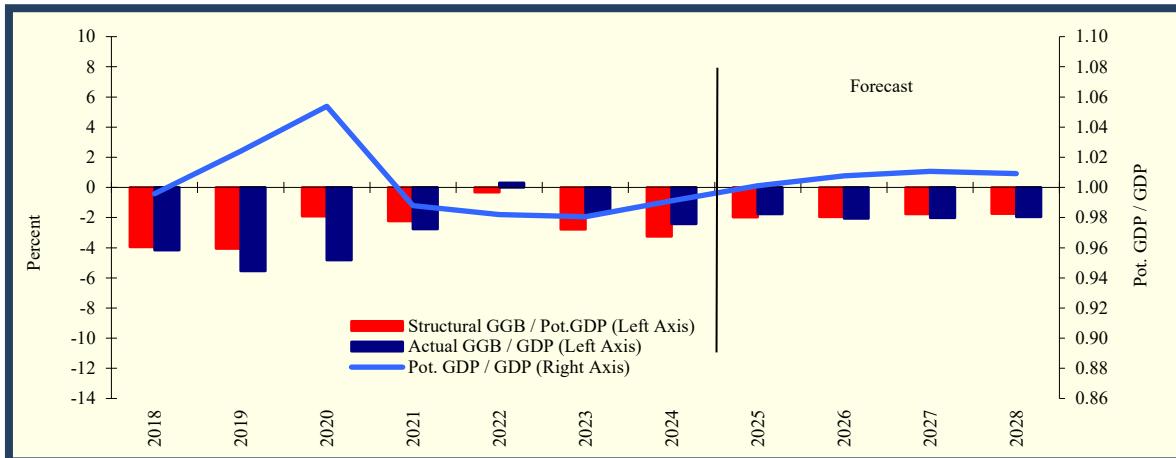
(Change from the Previous Year)			
Output Gap (Y/Y <sup>p</sup> )	As a share of Potential GDP		
	Structural General Government Balance	Structural Primary General Government Balance	General Government Balance
2018	-1.22	-0.44	-0.29
<b>2019</b>	<b>-2.78</b>	<b>-0.10</b>	<b>0.20</b>
<b>2020</b>	<b>-2.75</b>	<b>2.14</b>	<b>2.36</b>
<b>2021</b>	<b>6.32</b>	<b>-0.31</b>	<b>-0.33</b>
2022	0.63	1.90	1.46
<b>2023</b>	<b>0.14</b>	<b>-2.46</b>	<b>-2.00</b>
2024	-1.08	-0.46	-0.08
<b>2025</b>	<b>-1.01</b>	<b>1.27</b>	<b>1.72</b>
<b>2026</b>	<b>-0.65</b>	<b>0.01</b>	<b>0.22</b>
<b>2027</b>	<b>-0.29</b>	<b>0.20</b>	<b>0.03</b>
<b>2028</b>	<b>0.15</b>	<b>0.02</b>	<b>-0.09</b>

Source: Presidency of Strategy and Budget calculations

(1) Bold figures show pro-cyclical fiscal policy periods while unbolded ones show counter-cyclical fiscal policy periods.

During the 2026–2028 period, it is aimed to gradually reduce borrowing requirements through supporting macroeconomic stability, strengthening fiscal discipline, and the effects of the measures taken. Thus, it is forecasted that both actual and structural general government deficit to GDP and potential GDP consecutively, will realize as 2.0 percent and 1.8 percent on average in ERP period (Figure 4.1).

**Figure 4.1: General Government Balance**

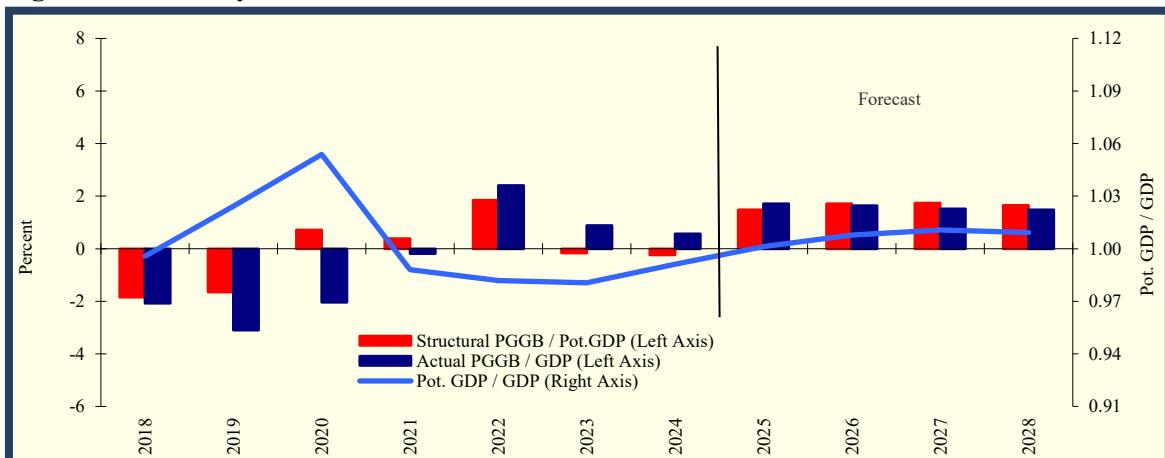


Source: Presidency of Strategy and Budget calculations

GGB: Public Claims Restructuring, Zoning Amnesty, Privatization, 2B Revenues and Other One-Off Revenues and Expenditures Excluded General Government Balance  
Pot. GDP: Potential GDP

Excluding interest payments, the structural general government balance, which is turned into a surplus in 2025, is expected to tend to improve gradually (Figure 4.2). It is forecasted that both actual and structural primary general government balances to GDP and potential GDP consecutively, which were estimated to be 1.8 and 1.9 percent surplus on average in the previous ERP period, will realize as 1.6 and 1.7 percent on average in 2026-2028 period, consecutively.

**Figure 4.2: Primary General Government Balance**

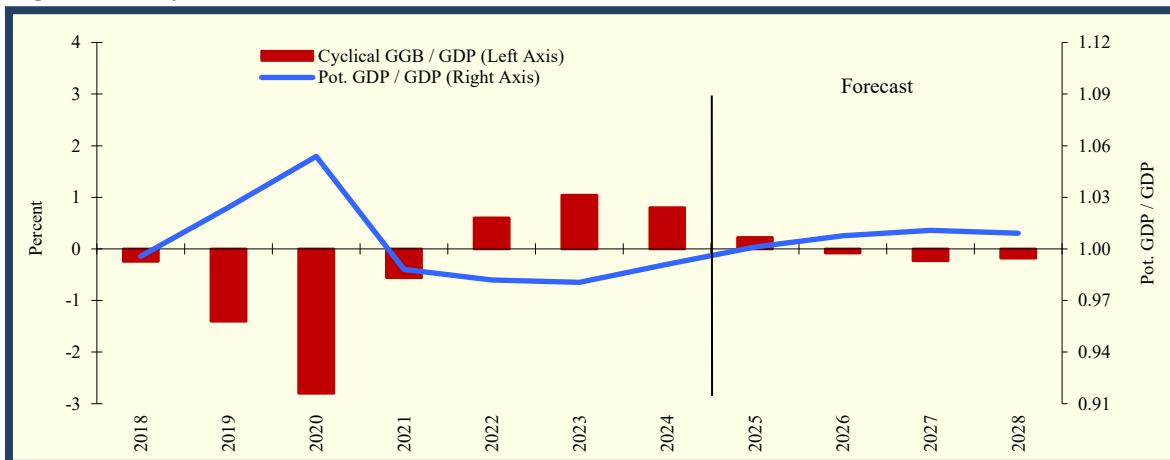


Source: Presidency of Strategy and Budget calculations

PGGB: Primary General Government Balance  
Pot. GDP: Potential GDP

Cyclical general government balance is calculated by subtracting the structural general government balance from the actual general government balance. Since the privatization revenues and one-off revenues and expenditures are excluded in the calculations of structural and actual general government balances, cyclical balance only reflects the impacts of conjunctural developments. When the ERP period is examined, the effect of cyclical movements on the actual general government deficit is forecasted to be limited (Figure 4.3).

**Figure 4.3: Cyclical General Government Balance**



Source: Presidency of Strategy and Budget calculations

GGB: General Government Balance

Pot. GDP: Potential GDP

## 4.6. Debt Levels and Developments, Analysis of Below-the-Line Operations and Stock-Flow Adjustments

### 4.6.1. Current Situation

As a result of the ongoing economic program, fiscal discipline and efficient borrowing strategies, considerable improvements were observed in the EU defined general government debt stock. The ratio of EU defined general government debt stock to GDP, which was 75.6 percent at the end of 2001, declined to 23.6 percent at the end of 2024 (Table 4.11).

**Table 4.11: EU Defined General Government Debt Stock**

	(GDP Ratio, %)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
EU Defined General Government Debt Stock	26.5	27.0	26.9	28.8	31.2	38.3	38.9	29.4	28.2	23.6

Source: MoTF

Central government total debt stock increased by 3,914.1 billion TL compared to its 2024 level and reached 13,171.5 billion TL as of October 2025. The ratio of fixed rate debt in the total stock decreased by 3.2 points compared to the end of 2024 and realized as 65.8 percent in the same period.

Compared to its end of 2024 level, central government domestic debt stock increased by 2,779.1 billion TL and reached 7,739 billion TL as of October 2025. The ratio of the respective stock to GDP descended to 11.1 percent in 2024, from 11.8 percent in 2023 (Table 4.12).

**Table 4.12: Central Government Debt Stock**

	(GDP Ratio, %)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Domestic Debt Stock	18.7	17.8	17.0	15.4	17.2	20.6	17.8	12.4	11.8	11.1
External Debt Stock	10.1	11.1	10.8	12.6	13.0	14.6	19.2	13.9	13.0	9.6
Total	28.8	28.9	27.8	28.0	30.2	35.3	37.0	26.3	24.9	20.8

Source: MoTF

The central government external debt stock has been 5,432.5 billion TL as of October 2025. Considering the interest composition of external debt stock, the share of fixed rate debt has been 82.9 percent as of October 2025 (Table 4.13).

**Table 4.13: Central Government Debt Stock by Interest Rate Type**

(Million TL)

	Domestic Debt Stock			External Debt Stock		Total Debt Stock			
	Fixed	Floating	Indexed to CPI	Fixed	Floating	Fixed	Floating	Indexed to CPI	Total
2015	256,394	84,281	99,450	202,237	35,884	458,631	120,165	99,450	678,246
2016	278,945	82,882	106,817	251,492	39,815	530,437	122,697	106,817	759,952
2017	348,401	67,482	119,564	298,329	42,717	646,731	110,200	119,564	876,494
2018	375,213	75,552	135,377	428,573	52,400	803,786	127,952	135,377	1,067,115
2019	464,244	118,483	172,325	518,737	55,265	982,981	173,748	172,325	1,329,054
2020	591,666	217,790	250,897	679,760	72,735	1,271,427	290,525	250,897	1,812,849
2021	695,984	333,558	291,648	1,223,648	202,991	1,919,632	536,549	291,648	2,747,828
2022	1,044,330	463,339	397,662	1,820,608	309,516	2,864,937	772,855	397,662	4,035,455
2023	1,845,747	904,128	459,377	2,979,492	547,887	4,825,240	1,452,015	459,377	6,736,632
2024	2,773,998	1,606,654	579,258	3,613,486	684,025	6,387,484	2,290,679	579,258	9,257,422
2025 Oct.	4,164,723	2,885,987	688,254	4,506,245	926,301	8,670,968	3,812,288	688,254	13,171,511

(Share in Total Debt Stock, %)

	Domestic Debt Stock			External Debt Stock		Total Debt Stock			
	Fixed	Floating	Indexed to CPI	Fixed	Floating	Fixed	Floating	Indexed to CPI	Total
2015	37.8	12.4	14.7	29.8	5.3	67.6	17.7	14.7	100.0
2016	36.7	10.9	14.1	33.1	5.2	69.8	16.1	14.1	100.0
2017	39.7	7.7	13.6	34.0	4.9	73.8	12.6	13.6	100.0
2018	35.2	7.1	12.7	40.2	4.9	75.3	12.0	12.7	100.0
2019	34.9	8.9	13.0	39.0	4.2	74.0	13.1	13.0	100.0
2020	32.6	12.0	13.8	37.5	4.0	70.1	16.0	13.8	100.0
2021	25.3	12.1	10.6	44.5	7.4	69.9	19.5	10.6	100.0
2022	25.9	11.5	9.9	45.1	7.7	71.0	19.2	9.9	100.0
2023	27.4	13.4	6.8	44.2	8.1	71.6	21.6	6.8	100.0
2024	30.0	17.4	6.3	39.0	7.4	69.0	24.7	6.3	100.0
2025 Oct.	31.6	21.9	5.2	34.2	7.0	65.8	28.9	5.2	100.0

Source: MoTF

As of October 2025, average time to maturity of central government debt stock was 4.2 years (Table 4.14).

**Table 4.14: Average Time to Maturity of Central Government Debt Stock**

	(Year)										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 Oct.
Domestic Debt Stock	4.6	4.3	4.2	3.9	3.0	2.8	3.0	3.6	3.8	3.5	2.8
External Debt Stock	9.5	9.4	9.9	9.6	8.9	8.3	7.8	7.1	6.6	6.5	6.4
Total	6.3	6.3	6.4	6.4	5.5	5.1	5.4	5.4	5.3	4.9	4.2

Source: MoTF

#### 4.6.2. General Government Debt Stock Projections for 2026-2028 Period

As a result of the prudent fiscal policies implemented, efficient borrowing strategies and strong growth performance in recent years, the ratio of the general government debt stock to GDP has decreased significantly. EU defined general government debt stock to GDP stood at 23.6 percent at the end of 2024 and it is expected to realize at the level of 24.2 percent by the end of 2028 (Table 4.15).

**Table 4.15: EU Defined General Public Debt Stock Estimations**

	(GDP Ratio, %)				
	2024	2025	2026	2027	2028
	Realization	Forecast			
EU Defined General Government Debt Stock	23.6	24.6	24.7	24.7	24.2

Source: MoTF

#### 4.6.3. Contingent Liabilities

Contingent liabilities refer to obligations of which timing and magnitude depend on the occurrence of some uncertain future event outside the control of the government. Treasury guarantees and debt assumption commitments provided in the context of Public-Private-Partnership projects are among the explicit contingent liabilities of the Ministry of Treasury and Finance.

The Ministry provides Treasury repayment guarantees for foreign borrowing of public institutions as defined in Article 3 of Law No. 4749 in order to minimize the investment financing costs, ensure sustainable growth and meet funding requirements of multi-year investment projects in specific sectors such as renewable energy, infrastructure and SMEs.

There are several risk mitigation schemes for Treasury repayment guarantees such as Internal Credit Rating Model, Treasury repayment guarantee and on-lent limit, guarantee and on-lent fee and risk account.

In this regard, the guarantee and on-lent limit is set by Central Government Budget Law every year. For the fiscal year 2025, the limit was 9 billion dollars. In order to compensate for the losses that stem from the guaranteed/on-lent credits and to share the risk with beneficiaries, a one-time guarantee/on-lent fee is applied up to one percent of the total credit amount and these fees are accumulated under risk account. Risk account has been set up in 2003 in order to eliminate the disruptions in the cash and debt management caused by the amounts paid by the Treasury due to Treasury guarantees and budget appropriation was started to be allocated every year as of this date. As the repayments to the risk account is

sufficient for the undertakings realized from the account no budgetary allocations, which is one of the items of the revenues of the account, has been used since 2009.

The Ministry of Treasury and Finance is very transparent for its provided guarantees and publishes all related figures in institutional website monthly.

Regarding the PPP projects, the Ministry of Treasury and Finance can provide debt assumption commitments, as defined in Article 8/A of Law No. 4749. According to this mechanism, upon termination of the implementation contract and transfer of facilities to the relevant administration, the credit facilities provided for the project, including relevant financial obligations, can be undertaken. The scope of debt assumption commitment is limited to the senior loans of the project company pursuant to the implementation contract.

Within the scope of risk management framework, a ceiling has been introduced in the central government budget law in order to limit the debt assumption commitments for each fiscal year. For the fiscal year 2025, the limit was 5 billion dollars.

#### 4.6.4. Repayment Guarantees

The stock of Treasury repayment guaranteed debt, which amounted to 16.4 billion dollars as of end-2024, stood at 15.2 billion dollars as of the second quarter of 2025. Guarantees provided to public banks and investment and development banks have the highest share within the repayment guaranteed debt stock.

On the other hand, while the undertaking ratio of Treasury-Guaranteed debts stood at 27.3 percent in 2003, this ratio declined to 0.5 percent as of October 2025.

Taking into account the payment projection of the Treasury repayment guaranteed foreign debt stock, an increase in parallel with the disbursements is observed in the medium term (Table 4.16).

**Table 4.16: Projection of Treasury-Guaranteed Foreign Debt Service<sup>1</sup>**

	(Million Euro)		
	Principal	Interest	Total
2025	837	350	1,187
2026	1,294	525	1,818
2027	1,333	478	1,811
2028+	9,978	2,110	12,088

Source: MoTF

(1) Based on drawings; as of June 2025, provisional

#### 4.6.5. Investment Guarantees

In addition to repayment guarantees, the Ministry of Treasury and Finance has provided investment guarantees to energy and infrastructure sectors in 1990s for PPP projects. No new treasury investment guarantees have been provided since 1999 and the concession periods of the facilities came to the end as of 2020.

#### 4.6.6. Debt Assumption Commitments

As of December 2025, Treasury provided debt assumption commitments for the external loans provided for eleven PPP projects with an amount of 21.6 billion dollars. To date, no debt assumption has occurred under these commitments as a result of early termination (Table 4.17).

**Table 4.17: Loans Subject to Debt Assumptions**

LOANS SUBJECT TO DEBT ASSUMPTION AGREEMENTS					
Project Name	PPP Model	Debt Assumption Agreement Date	Total Project Cost	Loan Amount	Loan Amount (USD Equivalent)
Eurasia Tunnel	Build-Operate-Transfer	11 Dec 2012	\$1,239,863,000	\$960,000,000	960,000,000
Gebze-Orhangazi-İzmir Motorway (including the İzmit Gulf Crossing)	Build-Operate-Transfer	5 Jun 2015	\$6,312,392,047	\$4,956,312,328	4,956,312,328
Çanakkale-Malkara Motorway (including 1915 Çanakkale Bridge)	Build-Operate-Transfer	16 Mar 2018	€3,159,721,036	€2,265,000,000	2,799,993,000
Ankara-Niğde Motorway	Build-Operate-Transfer	7 Jun 2018	€1,462,628,902	€1,114,962,012	1,310,749,341
Northern Marmara Motorway Kurtköy-Akyazı Section	Build-Operate-Transfer	16 Sep 2019	\$3,661,656,404	\$2,840,000,000	2,840,000,000
Northern Marmara Motorway Kınalı-Odayeri Section	Build-Operate-Transfer	16 Sep 2019	\$2,072,257,009	\$1,595,000,000	1,595,000,000
Northern Marmara Motorway Odayeri-Paşaköy Section (including Third Bosphorus Bridge)	Build-Operate-Transfer	2 Dec 2021	\$3,456,244,239	\$1,198,302,550	1,198,302,550
		31 Oct 2024*	\$509,409,953	\$405,000,000	405,000,000
Aydin-Denizli Motorway	Build-Operate-Transfer	30 Dec 2021	€1,137,535,958	€769,939,998	869,416,246
		15 Sep 2023	€170,566,686	€100,000,000	107,340,000
		27 Dec 2024	€470,275,150	€374,917,457	389,876,664
Çeşmeli-Kızkalesi Motorway-Çeşmeli- Kızkalesi Section	Build-Operate-Transfer	1 Aug 2025	€1,262,952,300	€884,066,610	1,011,991,048
Antalya-Alanya Motorway	Build-Operate-Transfer	6 Oct 2025	€2,474,748,971	€1,700,000,000	1,994,780,000
Ankara-Kırıkkale-Delice Motorway	Build-Operate-Transfer	8 Oct 2025	€1,391,099,191	€973,769,434	1,136,583,683
					<b>Total</b> <b>21,575,344,860</b>

Source: MoTF

\* For the financing of the Sarıyer-Kilyos Tunnel

#### 4.6.7. Treasury Receivables

The stock of Treasury Receivables has been realized as 33.8 billion TL by the end of October 2025 (Table 4.18). The share of local administrations in the Treasury's receivables stock is 33.0 percent, while SOEs account for 17.8 percent and other institutions for 49.2 percent.

In January-October 2025 period, cash payments of the institutions have the highest share of 95.3 percent within the collections. In the same period, deductions from municipalities' general budget tax revenues by the Ministry of Treasury and Finance and by İller Bank were 4.7 percent.

**Table 4.18: Stock of Treasury Receivables**

	(Million TL)									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
<b>Local Governments</b>	12,329	11,605	11,750	11,029	10,328	10,471	8,827	10,359	10,149	11,153
<b>SOE's</b>	2,432	2,744	3,307	3,520	4,209	5,507	6,590	8,515	5,131	6,009
<b>Other Institutions</b>	2,831	3,151	3,479	3,452	3,382	4,644	5,368	7,364	12,936	16,624
<b>Total</b>	<b>17,593</b>	<b>17,500</b>	<b>18,536</b>	<b>18,001</b>	<b>17,919</b>	<b>20,622</b>	<b>20,784</b>	<b>26,238</b>	<b>28,216</b>	<b>33,786</b>

Source: MoTF

\* As of October 2025, provisional

#### 4.7. Sensitivity Analysis and Comparison with the Previous Program

The Ministry of Treasury and Finance has executed debt and cash management by adopting risk based approach since 2003. In this regard, risk exposure of central government debt stock is regularly monitored and reported to the Debt and Risk Management Committee which is the highest decision making unit of debt management. Sustainability and sensitivity analyses are the most important tools for evaluation of the risk profile of the debt stock. While sustainability analysis projects the probable trajectory of the debt to GDP ratio under the changes in macroeconomic variables, sensitivity analysis puts forward the vulnerabilities of debt stock to the risks.

As a result of debt and cash management policies based on strategic benchmarks, structure of debt stock has improved and thus the exposure of central government debt stock to exchange rate, interest rate and liquidity risk has significantly reduced. In sensitivity analysis, annual deviations of the EU defined general government debt stock to GDP level from the baseline scenario are computed under real interest rate, growth rate and exchange rate shocks. Sensitivity of the general government debt stock to macroeconomic shocks has had a downward trend since 2001 when the first sensitivity analysis was implemented. Borrowing mainly in TL denominated fixed rate instruments and extending the borrowing maturities have significantly contributed to reduce sensitivity of debt stock to market risks. While 5 percent appreciation/depreciation of the Turkish lira would have changed the general government debt to GDP ratio by 2.0 percentage points in 2002, this effect decreased to 0.6 percentage points in 2024. On the other hand, 500 basis points interest rate change would have changed the general government debt to GDP ratio by 0.6 percentage points in 2024 whereas this effect was 1.4 percentage points in 2002. Similarly, due to decrease in debt stock to GDP level, effects of growth shocks on EU defined general government debt stock to GDP have decreased significantly. While the stock to GDP ratio would have changed by 1.3 percentage points in 2002 under the 2 percentage points growth shock, this effect decreased to 0.5 percentage points in 2024 (Table 4.19).

**Table 4.19: Sensitivity of the EU Defined General Government Debt Burden**

	2002	2024
Change in real exchange rate app/dep by 5 percent	+/- 2.0 points	+/- 0.6 points
Change in TL interest rate by 500 bp	+/- 1.4 points	+/- 0.6 points
Change in GDP growth rate by 2 percentage points	+/- 1.3 points	+/- 0.5 points

Source: MoTF

#### **4.8. Quality of Public Finances**

Efforts to improve the quality of public finance are being pursued with a comprehensive approach, aiming to improve the composition of public expenditures, ensure the efficient use of resources, enhance fiscal transparency and accelerate the digital transformation of public financial management.

The accounting and reporting infrastructure is being strengthened to enable more effective monitoring of expenditures by public administrations within the scope of central government. To enhance results-oriented management of public expenditures, an early warning system, controls, and analyses are being implemented to prevent waste of resources and unnecessary expenditures.

In this regard, the Integrated Public Financial Management Information System (IPFMIS), which enables the consolidation of public administration financial transactions into an integrated data structure, has yielded significant gains in terms of strengthening digitalization in public financial management, improving the accuracy of financial data, and enhancing accountability.

In financial processes, applications such as e-documents, e-signatures, e-invoices, e-guarantees, and e-collections are being widely adopted; all financial transactions are traceable, auditable, and standardized in a digital environment. The automatic generation of accounting records significantly reduces the occurrence of transaction errors, enhances data quality, and provides decision-makers with timely and consistent financial information.

In addition, the Artificial Intelligence-Supported Accounting and Advanced Analytics Project establishes an early warning system in the expenditure and payment process using AI-supported accounting applications, thereby increasing the level of control over financial processes and creating a risk-focused financial audit infrastructure.

By analyzing the spending trends of public institutions and the data of comparable units using artificial intelligence algorithms, expenditures that violate regulations are identified, and investigation and research processes are initiated for non-compliant transactions. The early warning system, along with controls and analyses, prevents waste of resources and unnecessary expenditures, and increases the effectiveness of decision-making processes.

Additionally, improvements in electronic payment and collection systems provide citizens with the ability to make easy and fast payments via internet and mobile banking, while increasing efficiency and effectiveness in public finance collection processes.

Within the scope of a transparent and accountable public financial management approach, internationally recognized financial statistics are produced and budget statistics are regularly made available to the public, strengthening the analytical reporting capacity of public finances.

Efforts are underway to implement IPFMIS in local administrations to strengthen financial discipline and improve data quality; this improves the financial analysis, reporting, and data reliability capacity of local administrations. With the widespread adoption of

IPFMIS, financial processes are integrated and conducted through a single system, thereby increasing transparency, traceability, and accountability in budget implementation.

Efforts are underway to develop an open financial data portal for use by the public and stakeholders with the aim of strengthening financial transparency and accountability. With the open financial data portal, information on public revenues and expenditures will become easily accessible, and financial data structures that are compatible with international standards and comparable will be developed.

#### **4.9. Fiscal Governance and Budgetary Frameworks**

The central harmonization function on strategic planning in the public sector is carried out by the Presidency of Strategy and Budget in accordance with the Presidential Decree No.13 of 2018. Strategic plans and performance programs are prepared and implemented by public administrations within the scope of the central government that are obliged to prepare strategic plans, as well as by social security institutions, state-owned enterprises, special provincial administrations and municipalities with a population of 50,000 or more, and their results are monitored through activity reports.

Public administrations shall prepare their institutional strategic plans using participatory methods in line with the national development plans, policies and programs established by the President, the relevant legislation and the basic principles and values they have adopted in order to define their mission and vision, set goals and measurable objectives, measure their performance against indicators, and monitor and evaluate this process.

The Presidency of Strategy and Budget provides guidance on developing strategic planning capacity in the public sector. To that end, as of December 2025, a total of 37 draft strategic plans, 5 for central public administrations and 32 for state universities, were evaluated by the Presidency as to whether they had been prepared in compliance with high-level policy documents and the procedures and principles set out in the legislation on strategic planning. Trainings, workshops and meetings are organized at the request of public administrations and documents prepared by public administrations are published on the website of the Presidency of Strategy and Budget ([www.sp.gov.tr](http://www.sp.gov.tr)) in order to ensure information sharing on strategic management.

Activities aimed at strengthening institutional capacity within the scope of the regulatory impact analysis (RIA), for which the legislative infrastructure was renewed in 2022, continued throughout 2025. Training and workshops were organized according to the needs, with the aim of increasing the administrative and human capacity of public administrations regarding their RIA applications. Contact points for the RIA process were established in the ministries. Thanks to checklists prepared for these contact points, RIAs were subjected to a preliminary review, thereby aiming to increase the quality of the RIAs. Updates were made to the templates and tables prepared for RIA. New RIA approaches were examined in areas where needs were identified, through participation in RIA activities at the national and international level, and were reported and published on the RIA website. Literature research was conducted on stakeholder identification and analysis, and international application approaches were reviewed. Within this scope, a guidance document

for stakeholder identification and analysis was prepared. RIA surveys were administered in 2024 and 2025 to measure RIA awareness, satisfaction, and expectations in public institutions. Annual Evaluation Report were prepared in 2024 and 2025 using findings obtained from the RIA surveys and were shared with the public. Since the renewal of the RIA legislation, RIA process has been carried out for nearly 300 regulations.

Within the scope of Negotiation Chapter 32 on Financial Control, a sound Public Internal Financial Control (PIFC) system has been established, consisting of three components: financial management and control, internal audit and central harmonization units within these two areas. As part of the financial management and internal control activities carried out by the Ministry of Treasury and Finance, public administrations are monitored, their compliance with the prescribed methods and standards is assessed, and recommendations are provided. Through reporting, the central harmonization functions for internal control are fulfilled.

Internal control covers the management of risks in order to fulfill the performance needed to achieve the specified targets with the purpose of ensuring the efficient and effective use of resources allocated by the budget. As a part of the internal control system, it is important to determine and evaluate the relationship among planning, programming and budgeting and the risks associated with them. It is envisaged that the internal control system, which is to be established under the ownership of the heads of public administrations, will be implemented so as to ensure fiscal transparency and accountability. It is envisaged that the internal control system, to be established under the ownership of the senior managers of public administrations, will be implemented in a manner that ensures financial transparency and accountability. The main responsibility for the functioning and monitoring of the internal control system belongs to the heads of public administrations, who fulfill the requirements of this responsibility through spending authorities, financial services units and internal auditors.

The Ministry carries out monitoring and evaluation of the internal control systems of public administrations. Within this scope, the functioning of financial management and control systems is monitored, and the extent to which the objectives and targets set out in strategic plans and performance programs, as well as the results included in activity reports, have been achieved is assessed, thereby ensuring the harmonization of the internal control systems of public administrations.

During the 2026-2028 period, the Financial Management and Control Central Harmonization Unit will focus on monitoring and evaluating the internal control systems of public administrations. In order to assess the effectiveness of internal control practices in public administrations, determine their maturity levels, and plan and carry out activities aimed at their improvement, pilot implementations have been launched in line with the Internal Control System Monitoring and Evaluation Guide. In 2025, on-site monitoring and evaluation activities were conducted in two institutions, namely the Ministry of Family and Social Services and the General Directorate of State Hydraulic Works. Reporting activities related to these on-site monitoring and evaluation exercises are ongoing. During the 2026-

2028 period, it is aimed to expand the application of the Guide across the public sector by conducting a greater number of on-site monitoring and evaluation activities.

On the other hand, the “Public Internal Control Regulation” and the “Public Ex-ante Financial Control Regulation” replacing the Procedures and Principles Regarding Internal Control and Ex-ante Financial Control and the “General Circular on Expenditure Authorities” replacing the General Circular on Expenditure Authorities (Series No: 1) and the General Circular on Expenditure Authorities (Series No: 2) have been prepared and published in the Official Gazette dated 5 March 2025 and numbered 32832, and have entered into force. In this context, a total of 17 training videos on practical implementation in the fields of preliminary financial control and internal control were published on the website, with the aim of sharing the experiences of representatives of public administrations working in these areas in 2025.

The Action Plans for Compliance with the Public Internal Control Standards are prepared by the public administrations and the outcome of the activities specified in that plans are submitted to Ministry of Treasury and Finance biennially. Within the scope of the central harmonization function, the Compliance Action Plans for Public Internal Control Standards prepared by the public administrations are reviewed, and the practices regarding the actions are monitored. In addition, in the 2026-2028 period, within the scope of the internal control central harmonization function, training and guidance support will be provided to public administrations that have not prepared an action plan for the introduction of internal control practices.

For the execution of internal audit activities effectively in Türkiye, the Internal Audit Coordination Board (IACB) affiliated to the Ministry of Treasury and Finance carries out its duties specified in Article 67 of the Law No. 5018 to monitor the internal audit systems of public administrations and to serve as an independent and impartial body. Excluding regulatory and supervisory authorities, the Board has determined the number of internal auditors for public administrations within the scope of Law No. 5018, and internal auditor positions have accordingly been established for the relevant public administrations. In order to develop the human resources capacity of the internal auditors and to meet the needs of public administrations in this field, internal auditor candidate selection exams were conducted and after these exams, certification training were provided for internal auditor candidates. IACB also supports the in-service training processes of internal auditors within the scope of continuous professional development. Within this scope, in the coming period, taking professional development and progress into account, priority will be given to strengthening the legislative framework by updating public internal audit standards in line with the revised international internal audit standards; enhancing institutional capacity through training and guidance activities to improve the effectiveness of internal audit practices; increasing the number of internal auditors in public administrations; expanding the implementation of the Internal Audit Quality Assurance and Improvement Program for internal audit activities; strengthening the administrative capacities of both the IACB and the internal audit units of public administrations; and enhancing the effectiveness of internal audit in public information technology audit processes.

## **4.10. Sustainability of the Public Finance**

### **4.10.1. Public Finance Risks**

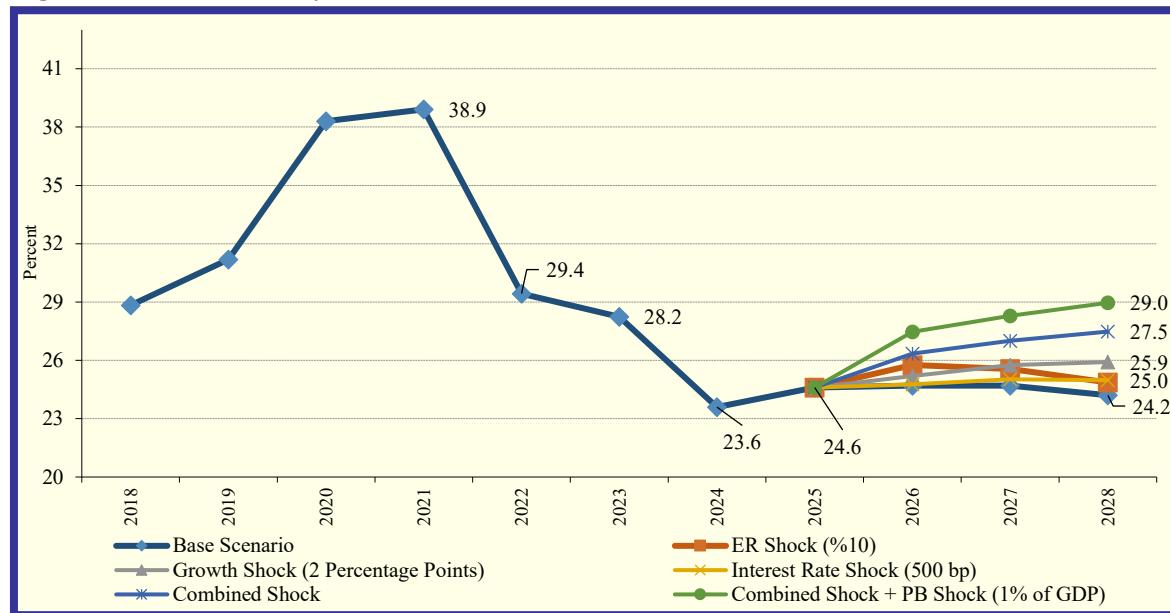
The main risks that may hinder the achievement of the targets set for public finances in the 2026-2028 period are as follows:

- A growth rate below the forecast may cause revenue collection to decrease and therefore the budget deficit to be higher than planned.
- A social security system premium collection below the forecast due to a lower than anticipated growth rate may result in an increase in transfers from the central government budget to social security institutions.
- Decisions of the Federal Reserve and the European Central Bank regarding monetary policies may cause fluctuations in interest rates and exchange rates in international and domestic markets, causing public interest expenditures and debt burden to deviate from the projected levels.
- Fluctuations in energy and other commodity prices due to geopolitical risks may put pressure on budget expenditures.

### **4.10.2. Sustainability Analysis**

According to scenario analyses regarding the course of public debt stock against various macroeconomic shocks in the period of 2026-2028, the ratio of the EU defined general government debt stock to GDP have been monitored in the medium term (Figure 4.4). In the scenario analyses conducted, various shocks are applied to the exchange rate, real growth, and market interest rates in order to assess the response of the debt stock to these shocks. In these scenario analyses, impacts of 10 percent upward shift in the exchange rates, 2 points downward shift in the real growth rate and 500 basis points upward shift in the real interest rates over the analysis period were separately and jointly assessed. Moreover, one time primary balance shock is imposed in the first year of the analysis period in addition to the combined shock scenario. In this scenario, primary balance performs 1 percent lower than the baseline scenario as a share of GDP. By doing so, possible risks, which may lead to increase in the financing needs, are analyzed. Additionally, the interrelation between macroeconomic variables has also been taken into account and secondary effects of each shock scenario on other variables are reflected into the analysis. In this context, the impact of growth shock and exchange rate shock on inflation have been reflected to the analysis. Examining the scenarios stated above, compared to the baseline scenario, it is evaluated that as a percent of GDP debt stock will record an increase of 0.7 points under the exchange rate shock; 0.8 points under the interest rate shock and 1.7 points under the growth rate shock in 2028. In the combined shock scenario, in which all shocks are taken into consideration together, it is expected that the debt stock to GDP ratio may increase by 3.3 points compared to the base scenario. When primary balance shock is added to the combined shock, the level of change is projected 4.8 points as of 2028.

**Figure 4.4: Sustainability Scenarios<sup>1</sup>**



Source: MoTF

(1) In this sustainability analysis, the shocks have been applied to the MTP (2026-2028) baseline scenario estimates.

## 5. STRUCTURAL REFORMS

### 5.1. Competitiveness

#### i. Business Environment and Reduction of the Informal Economy

##### a) Analysis of main obstacles

The main objective of business and investment environment reforms in Türkiye is to provide a more competitive structure to the economy by carrying out transactions with the least number of documents, in the shortest time and at the lowest cost, to further strengthen bureaucratic and legal predictability, and to ensure that the country creates investment opportunities by attracting more qualified international direct investments and is to become a supply and production center for domestic and international markets by increasing production, employment and exports. In this regard, the 12<sup>th</sup> Development Plan outlines key policies and measures aimed at improving the business and investment environment. These include digitizing bureaucratic processes, streamlining the allocation of treasury lands for investment, implementing legal reforms for investors, and transforming Türkiye into an attractive hub for entrepreneurs. Additionally, the plan aims to strengthen Türkiye's position as a resilient center in the global supply chain through green and digital transformation.

In addition, within the scope of the MTP (2026–2028) period objectives, improving company establishment and liquidation processes, simplifying bureaucratic mechanisms, and reducing transaction costs have been identified as core policy priorities aimed at enhancing the business and investment environment. In this context, it is envisaged to accelerate industrial property registration processes while improving decision quality; to introduce digital applications that offer ease of establishment and start-up stage exemptions in order to encourage innovative enterprises; to develop regulations to attract foreign entrepreneurs, investors, and a qualified workforce; to implement improvement-oriented measures aimed at enhancing Türkiye's position in global investment environment rankings; and to transfer investment-related procedures such as permits, licenses, and authorizations to online platforms.

The International Direct Investment Strategy (2024-2028), which serves as a roadmap to accelerate the attraction of high-quality international direct investment projects aligned with Türkiye's economic development goals, was published on 29 July 2024. The strategy aims to enhance Türkiye's investment performance by improving the quality and quantity of its investment portfolio through five key themes: investment environment competitiveness, the twin transformation, global supply chains, high-quality human resources, and communication and promotion.

Action plans prepared by the Investment Environment Improvement Coordination Council (YOİKK) are monitored monthly through a consultation mechanism established between the public and private sector organizations. As a result of the work carried out within the framework of the 2024 Action Plan, improvements have been made in the processes related to preliminary allocation, land allocation, and allocation periods through amendments to the Organized Industrial Zones Implementation Regulation; analyses have been conducted to identify investable areas across the country through Industrial Areas Master Plan studies. In addition, the Türkiye Tech Visa Program has been implemented to support access to qualified human resources, regulations on venture capital investments have been amended, workforce

programs in the areas of digital and green transformation have been launched, and infrastructure work for the e-Notification service via e-Government has been completed.

The 2025 YÖİKK Action Plan, informed by the 2024 outcomes and the progress achieved during the reform process, has been prepared in alignment with major policy and strategy documents. It establishes a framework aimed at enhancing coordination across structural areas such as entrepreneurship and access to finance, the expansion of high-tech investments, and the streamlining of permitting processes for energy and mining. Furthermore, the plan focuses on advancing the green transition, fostering sustainability, and strengthening the link between logistical/technological infrastructure and vocational education and employment, all of which are being implemented through coordinated efforts by the relevant institutions and organizations.

Within the scope of combating the informal economy, the 2023-2025 Action Plan for the Fight Against the Informal Economy is being implemented in cooperation with relevant institutions and organizations, based on 5 components and 44 action items. The activities carried out by the responsible institutions and organizations are monitored on a quarterly basis, and through these activities, it is aimed to increase the effectiveness of the fight against the informal economy by developing risk analysis and assessment mechanisms through the effective use of technology.

Mediation, which stands out as an important alternative dispute resolution method that strengthens legal predictability and the environment of confidence in the business and investment environment, has been used since 2013 to address approximately 8.5 million disputes before mediators, of which around 5.07 million have been resolved through settlement. Mediation has contributed to a healthier and faster functioning of commercial life in all disputes over which the parties have full discretion. The United Nations Convention on the Settlement of International Commercial Disputes through Mediation, known as the “Singapore Convention” has been signed and implemented.

In this context, specialization within the judiciary will be enhanced and the specialization of judges in civil and criminal law will be supported in the program. Based on workload analyses, specialization will be introduced in disputes arising from environmental matters, health, insurance, traffic and workplace accidents. In order to increase the level of expertise of judges serving in Intellectual and Industrial Property Rights Courts, in-service training programs will be implemented, and awareness-raising activities regarding mediation and arbitration practices will be carried out to ensure more effective resolution of intellectual property disputes. Basic and sub-specializations in the field of expert witnessing will be updated, trainings will be increased, legal entity expert witnessing in private law will be expanded, report preparation times will be shortened, and a more effective performance system will be established.

To accelerate judicial proceedings, target timeframes will be redefined, measures will be taken for cases exceeding these timeframes, and a target-time practice will also be introduced for the appellate stage. In specialized courts, the Target Time Practice will be effectively monitored, and necessary measures will be taken regarding the factors causing delays. To strengthen access to justice and the right to be tried within a reasonable time, digital solution platforms, online dispute resolution, and electronic hearing methods will be developed.

Infrastructure work will be conducted to expand the use of electronic notifications.

Civil and administrative judicial procedures will be simplified; grievances arising from the incorrect selection of the competent judicial path will be remedied; simplified procedures will be created for disputes below a certain monetary threshold; fee collection procedures will be updated, and electronic payment methods will be expanded.

Regulations will be introduced to shorten the completion process in administrative jurisdiction, and administrative settlement practices will be made more effective. Mediation and arbitration mechanisms will be strengthened; the scope of mandatory mediation will be expanded; voluntary mediation will be encouraged; institutional arbitration will be promoted; and efforts will be undertaken to increase the use of arbitration mechanisms in resolving commercial disputes. The enforcement and bankruptcy system will be restructured in line with current needs; fast and cost-effective alternative enforcement methods will be developed; and reforms will be implemented to ensure that the concordat mechanism achieves a reliable and sustainable structure.

To protect rights and freedoms and enhance the efficiency of judicial services, institutional capacity will be strengthened, and structural and administrative measures will be implemented to ensure that proceedings are concluded within a reasonable time. In this context, efforts to align the Personal Data Protection Law with the European Union acquis particularly the General Data Protection Regulation (GDPR) will be completed and the institutional structure of the Personal Data Protection Authority will be improved.

**ii. State-Owned Enterprises****a) Analysis of main obstacles**

Although State Owned Enterprises are an important policy instrument for the Turkish economy, the share of SOEs has decreased over time in line with the policy of reducing the share of the public sector in the economy. In 2000, the ratio of the value added produced by SOEs to GDP was 3.4 percent while this ratio is estimated to be 0.6 percent by the end of 2025. In parallel to this, the share of SOE investments in total public and private sector investments is estimated to decline from 5.8 percent in 2000 to 2.4 percent in 2025. In the same period, the annual average number of personnel of SOEs is expected to decrease from 435,000 to 99,000. As of 2025, the number of SOEs operating under Decree Law No. 233 and Law No. 4046 is 21.

Decree Law No. 233 on SOEs, which entered into force in 1984, is a comprehensive legislation in which the shareholding rights of SOEs are distributed to the relevant public administrations within the framework of the needs of the period, and which includes the main elements regarding the activities and organizational structure of these enterprises. However, many transformations have undergone in both the public and private sectors over time. In this context, important steps have been taken to increase the efficiency and productivity of SOEs, which have been established long ago and have an important place in the national economy, in line with international best practices and the transformation in Türkiye, such as establishing internal control systems and subjecting them to independent audit.

On the other hand, efforts are underway to implement regulations in line with corporate governance principles in order to ensure that SOEs continue their operations as required by commercial life, to create a structure that will not allow them to become a direct or indirect burden/risk on public finances by prioritizing efficiency and productivity in their operations, to make arrangements to strengthen their institutional structures and to more professionalize SOE boards of directors.

In the 2026-2028 period, the efforts towards the corporate governance reforms for SOEs, which were programmed for the 2025-2027 period, are expected to continue. In this context, it is programmed to make arrangements in the relevant legislation to strengthen the corporate governance approach in the senior management of SOEs. In this way, enhancing the competitiveness of state-owned enterprises both domestically and internationally will make positive long-term contributions to sustainable development.

### **iii. Economic Integration Reforms**

#### **a) Analysis of main obstacles**

Many new legislations have been recently introduced by the EU in areas related to the digital economy. These legislations might have direct or indirect effects on the functioning of Customs Union as well as on Türkiye-EU bilateral trade and value chains.

Among these legislations there are the ones that also determine the standards of products and services to be supplied to the EU market in terms of cybersecurity (more specifically cyber resilience-Cyber Resilience Act) and artificial intelligence (AI Act) criteria and that may fall within the context of technical legislation that Türkiye has to align under the Customs Union.

In addition, harmonizing the legislation of Türkiye with that of the EU in the digital area, in particular on the protection of personal data and also protection of trade secrets has become important to better exploit the benefit of the use of digital tools in customs and trade related areas. Legislation such as the Data Act and the Data Governance Act, as well as the mutual recognition of electronic signatures, are complementary policies appear in areas related to “data”.

Apart from the functioning of the Customs Union, the trade in services transactions and investment relations between the EU and Türkiye seem to be affected by these digital regulations. On the other hand, certain aspects of these regulations and in particular how they affect trade and investment are needed to be clarified for the stakeholders in Türkiye. Therefore, a project has been launched by the Ministry of Trade in the last quarter of 2023 to examine the effects of above-mentioned legislation on Türkiye’s exports of goods and services as well as the FDI attractiveness of Türkiye together with all relevant institutions. An impact analysis report and a draft road map are expected as the outputs of this project. The report is expected to reveal the most important and urgent digital legislation that should be taken into consideration by Türkiye and the road map is expected to present the steps to be taken in terms of legislative work. The project, which is expected to be finalized in the first half of 2026, will also provide a strong basis for further cooperation between Türkiye and EU in this area.

#### **iv. Agriculture, Industry and Services**

##### **a) Analysis of main obstacles**

###### **Agriculture**

As of 2024, Türkiye ranks first in Europe and seventh in the world with an agricultural output of over 74 billion dollars, while the share of the agricultural sector in GDP is 5.8 percent. The sector's share of total employment stands at 14.8 percent.

In order to better guide the agricultural sector, studies are carried out to create an agricultural inventory and improve existing information systems. Fieldwork for the general agricultural census was completed within the collaboration between the TurkStat and the Ministry of Agriculture and Forestry in December 2025. The analysis of the data collected from the field is expected to be completed and the results shared with the public in 2026. Furthermore, a detailed analysis of the software and hardware infrastructure of agricultural information systems has been completed, and steps to eliminate problems in these systems have been determined.

The increasing frequency and intensity of droughts and extreme weather events caused by climate change are negatively impacting agricultural production. The agricultural frost and drought experienced in 2025 led to a decrease in agricultural yields, particularly in fruit production. Türkiye has taken the necessary measures to compensate farmers who have suffered income losses due to this production decrease, in order to enable them to continue agricultural production.

In order to minimize the impact of climatic conditions on agricultural production, the expansion of greenhouse cultivation is crucial. Within this context, investments in organized agricultural zones have been accelerated in order to increase the amount of crop production by effectively utilizing geothermal resources. Infrastructure investments are planned to be completed on 3,037 decares of land by 2026. Expanding greenhouse areas through organized agricultural zones will significantly contribute to increasing production and reducing seasonal fluctuations in vegetable prices.

With the transition to planned production in the agricultural sector in Türkiye, a new support model has been implemented. In order to encourage farmers' production activities, subsidies within the agricultural support budget are being continued under the new model. In order to facilitate access to financing for farmers as well as entrepreneurs investing in the agriculture and food sector, the Agricultural and Rural Development Support Institution has initiated a study to utilize World Bank loan financing in order to diversify financing sources.

To address the fragmented land structure, a major structural problem in the agricultural sector, land consolidation efforts are rapidly continued. The goal is to initiate land consolidation projects in a total area of 450,000 hectares by 2026.

## Industry

The challenges experienced in global value chains and the outlook in global financial conditions continue to adversely affect the competitiveness of firms. Due to difficulties related to price stability, capital sufficiency, input costs and access to finance, particularly SMEs struggle to prioritize productivity, digitalization, and sustainability investments within their production processes. This situation poses a significant barrier to systematically improving productivity in the manufacturing industry. In addition, the low levels of institutionalization, lean production culture, process management, data-driven decision-making, and digital maturity within enterprises limit the effective implementation of productivity-enhancing techniques. The lack of both awareness and motivation among SMEs prevents them from adequately benefiting from training and consultancy services. Currently, it is observed that energy efficiency, carbon footprint measurement, resource efficiency, and green transformation investments have not yet reached the desired level in the vast majority of manufacturing SMEs.

The implementation of the Learning Factory concept—of which successful examples exist in various countries around the world—under the name “Model Factories” in Türkiye has aimed to strengthen the productivity ecosystem through a holistic approach. These centers, which provide a real production environment with the “freedom to make mistakes,” transfer activity-based excellence principles to enterprises through experiential learning techniques. Model Factories enhance the transformation capacity of enterprises in areas such as continuous improvement, lean production, digitalization, resource efficiency, and sustainable manufacturing through training and consultancy activities, thereby facilitating their adaptation to changing competitive conditions. In this way, enterprises are supported in using critical production inputs—such as human resources, equipment, time, energy, and materials—more effectively; contributing to the diffusion of a productivity-oriented business culture and to the rapid strengthening of industrial competitiveness.

As outlined in Türkiye’s 2053 Long-Term Climate Strategy, low-carbon roadmap projects have been carried out in the steel, aluminum, cement, and fertilizer sectors in collaboration with the European Bank for Reconstruction and Development (EBRD) to support the reduction of greenhouse gas emissions in energy-intensive manufacturing industries subject to the European Union’s Carbon Border Adjustment Mechanism. In line with the country’s 2053 net zero target, the best available techniques and emerging clean production technologies (including renewable energy and alternative clean hydrogen use), supportive policy measures, and financing needs for the transition to a low-carbon production structure in manufacturing have been identified for the aforementioned sectors, and sectoral roadmaps have been prepared. The study has begun on low-carbon roadmaps for our energy-intensive sectors, including ceramics, glass, foundry, and chemicals. The “Türkiye Green Industry Project” is being implemented with the support of the World Bank to promote sustainable and efficient green transformation in industry.

### **Digital Transformation Supports under the Competitive Sectors Program IPA II**

**Period:** The IPA Competitive Sectors Program, implemented by the Ministry of Industry and Technology with co-financing from the European Union and Türkiye, covers the period 2014-2018 and is planned to be completed by the end of 2026. In its second phase, projects focusing on R&D, innovation, digital transformation, green transformation, creative industries and technology transfer are being implemented. Within this framework, the program consists of 43 projects carried out in 23 provinces, with a total budget of 260 million euros, aiming to enable SMEs and entrepreneurs to become part of an efficient, creative and competitive ecosystem by placing R&D and innovation at its core. Under the program, six projects that provide digital transformation services to companies and implement digital solutions in production processes have been supported in order to enhance international competitiveness. The total budget of these projects is approximately 50 million euros.

Through these projects, SMEs and enterprises are supported in rapidly developing fields such as artificial intelligence, the Internet of Things and big data. The program aims to enable sectors such as white goods, textiles, civil aviation, automotive, machinery, composites and aluminium to adapt proactively to changing conditions, thereby creating higher added value, continuing to contribute to national exports and becoming stronger in international competition. For almost all projects, the procurement and installation of machinery and equipment under the supply and service components have been completed, and the implementation of the service procurement contracts has been finalised.

Short summaries of the digital transformation projects supported under the Competitive Sectors Program are provided below:

#### **1. From Design to Production: Digital Transformation of Apparel Sector in Türkiye**

With a total budget of approximately 10.4 million euros, the project aims to ensure the digital transformation of SMEs operating in the ready-to-wear and textile sectors and to support international networking. Within the scope of the project, a roadmap for digital transformation in the textile and ready-to-wear sectors has been defined, digital transformation capacity has been strengthened, SMEs have been provided with digital consultancy and training services, new test and analysis methods have been developed and green textile practices have been expanded.

#### **2. Digital Transformation of SMEs in Türkiye through Establishment of the Industry 4.0. Competence Center**

With a total budget of approximately 10.3 million euros, the project aims to establish a sustainable digital transformation and skills development environment for manufacturing SMEs operating in the white goods supplier industry, to make this centre a model for Türkiye's future digital transformation centres, and to develop new local solutions for digital transformation in the white goods industry.

### **3. METU Digital Innovation Center**

With a total budget of approximately 8.4 million euros, a digital innovation centre has been established to primarily develop and implement technological solutions serving the digital transformation of the machinery and automotive sectors and to provide complementary training and mentoring services. Activities have been carried out to ensure that this centre takes an active role within national and international networks in the field of digital transformation and becomes a key actor in the ecosystem.

### **4. DiMAP – Direct Digital Manufacturing Platform**

With a total budget of approximately 9.8 million euros, the project is being implemented in İstanbul, Kocaeli and Bursa. It aims to introduce direct digital manufacturing and additive manufacturing methods, particularly among SMEs, in the civil aviation, automotive and composite sectors, and to promote the use of data-driven smart manufacturing technologies. The implementation of the service procurement contract for the project is currently ongoing.

### **5. ALUTEAM: Joint Research Center for Digital Transformation of the Aluminium Industry**

With a total budget of approximately 5.5 million euros, the project aims to contribute to the digital transformation of the aluminium industry in Türkiye and to the improvement of high value-added products by enhancing the capacity of the existing centre that carries out production, research and testing activities using additive manufacturing technologies in the aluminium sector. Through the project, the equipment infrastructure of the centre has been strengthened, business plans have been updated, sectoral roadmaps have been prepared, and training activities have been delivered to companies.

### **6. Open Innovation Autonomous Vehicle Development and Testing Platform (OPINA)**

With a total budget of approximately 5 million euros, the project aims to support the development of autonomous and connected vehicle software, test these contributions through software, hardware, and on-vehicle systems, and measure the impact of software improvements. This system will accelerate autonomous vehicle development projects and enable creation of more effective solutions. Additionally, the need for constructing dedicated test roads—normally required for certifying autonomous vehicles—can be reduced.

**Instrument for Pre-Accession (IPA) III:** The Ministry of Industry and Technology is the Managing Authority responsible for thematic priority “Private Sector Development, Trade, Research and Innovation” under Window 4 “Competitiveness and Inclusive Growth” in the IPA III (2021-2027) Programming Framework. Within this thematic priority, the IPA III programming framework aims to support socio-economic recovery, strengthen the business environment, improve the innovation ecosystem and investment climate, and ensure greater integration into EU industrial value chains, based on a smart specialisation approach to strengthen research, technological development and innovation capacity.

The IPA III aims to bolster private sector development and trade, widen access to finance for entrepreneurs, diversify financial markets, promote sustainable financing mechanism, and

foster cooperation between academia, industry, governments and civil society through a quadruple helix innovation model. These priorities are in line with Türkiye's 12<sup>th</sup> Development Plan, MTP (2026-2028) and 2030 Industry and Technology Strategy.

For the 2025-2027 period, digitalisation has become the main focus and the European Commission has prioritised the areas of “innovation in digital solutions” and “strengthening technological development and increasing alignment with the EU acquis related to digital transformation.” This approach aims to direct support towards more selective, digitally focused areas in order to achieve the highest impact with limited IPA III resources. Accordingly, Türkiye's cooperation framework has become more focused and strategic, prioritising digital solutions, the wider use of technology and alignment with the EU digital acquis, while the thematic concentration has also achieved stronger alignment with the EU's twin transition agenda.

The action on supporting innovative industries in deploying technologies for the digital transition aims enhance Türkiye's innovation capacity by promoting solutions that foster sustainable development, human capital, and a digital future. In parallel, the action on increasing alignment in digital transformation and digital aspects of the Customs Union seeks to support Türkiye's further alignment with the EU customs legislation in areas of mutual interest and benefit. The ongoing harmonisation efforts together with IPA III actions supporting digital transformation, demonstrate Türkiye's commitment to advancing alignment with the EU digital agenda.

Within the IPA III framework, the European Commission has also focused its support on a specific set of green-oriented areas by shifting to more targeted fields such as industrial decarbonisation, green technologies and regulatory alignment, where the highest impact can be achieved with limited resources. Türkiye's cooperation framework for the green transition now emphasizes sustainable production, energy efficiency, and alignment with the EU climate acquis. This focused approach supports sustainable growth and aligns Türkiye with the EU's climate and value chain objectives, enabling industry to advance green and digital transformation in a coherent manner.

Compared to structural reform areas of the ERP (2026-2028), it is evident that the intervention areas under IPA III closely align with the ERP's reform pillars. These include “Business Environment”, “Industrial Sector”, “Research, Development and Innovation” under “Competitiveness”; as well as “Green Transition” and “Digital transformation” under “Sustainability and Resilience” and also “Education and Skills” and “Employment and Labour Market” under “Human Capital and Social Policies”.

**Digital Europe Program (DEP):** The Digital Europe Program, implemented by the European Union with a budget of 8.2 billion euros for the period 2021-2027, focuses on creating strategic digital capacities across Europe and promoting the widespread use of digital technologies. Türkiye's Association Agreement was signed on 31 August 2023 and entered into force with the publication of the Presidential Decree No. 7746 dated 2 November 2023 in the Official Gazette. The coordination of the Program in Türkiye is provided by the Ministry of Industry and Technology.

DEP is a program that aims to steer the digital transformation of society, public institutions, the private sector, and especially SMEs in European countries and countries participating in the program by supporting activities that countries cannot carry out on their own. Within the scope of the program, priority is given to establishing critical digital infrastructure in the areas of high-performance computing, artificial intelligence, data and cyber security, and supporting the development of innovative digital technologies of strategic importance. In the second phase, the aim is to make the established infrastructure and digital technologies accessible to SMEs, public institutions and citizens and to promote their widespread use.

Türkiye is participating in the in the DEP specific objectives related to high-performance computing, artificial intelligence, advanced digital skills and building, deployment, best use of digital capacity and interoperability components of the program. With Türkiye's participation in DEP, it is aimed for domestic stakeholders to benefit from EU funds by participating in the establishment processes of digital infrastructures to be established across Europe, for the private and public sectors, especially SMEs, to have access to these infrastructures that will ensure their digital transformation, and to improve the digital skills of the society through the calls to be opened under the program.

In 2023 and 2024, a total of 96 project applications with an overall budget of 85.69 million euros were submitted from Türkiye by universities, technoparks, private sector representatives, civil society organizations, chambers of industry and commerce and public and private research centres. To date, 77 institutions have been awarded grants under 15 projects with a total budget of 13.76 million euros.

Under the DEP, five European Digital Innovation Hubs (EDIHs) became operational in Türkiye as of 1 January 2025, playing a key role in advancing the Program's objectives. Plans are in place to strengthen their administrative and financial capacities through both national and EU-funded initiatives. EDIHs offer services such as pre-investment testing, skills and training, investor matching, and support for innovation ecosystems and networking. To enhance their effectiveness, a Digital Transformation Accelerator has been established, providing training, consultancy, capacity building, matchmaking, and networking support to the EDIHs. Furthermore, an estimated 3.7 million euros will be allocated in 2026 to support newly selected EDIHs in Türkiye, which are expected to become operational the same year. EDIHs complement the Digital Transformation Support Programs funded by the Ministry of Industry and Technology and KOSGEB, as well as the Model Factories and digitalisation infrastructures established under the Competitive Sectors Program during the IPA II period (2014-2020). This complementarity is demonstrated by the fact that 13 structures funded under IPA II are now serving as leaders or partners in EDIHs or Seal of Excellence holders consortia. The efforts will continue to ensure that Türkiye derives maximum benefit from the DEP by creating synergies with national programs/resources and IPA projects/resources.

**Türkiye Industrial Decarbonisation Investment Platform (TIDIP):** On 25 November 2024, the Ministry of Industry and Technology of Türkiye (MoIT) together with the EBRD, IBRD, and IFC, signed a Joint Declaration establishing the TIDIP. The Platform reflects Türkiye's commitment to achieving an annual reduction of more than 20 million tons of carbon

emissions by 2030 and to reaching net-zero emissions by 2053, supporting national climate, economic, and industrial policies.

TIDIP serves as a policy instrument to guide the green transformation of Türkiye's industrial sector, initially focusing on iron and steel, aluminium, cement, and fertiliser industries based on the low carbon pathways, which identified an investment need of more than 70 billion euros for the respective sectors. Through TIDIP, the MoIT aims to mobilise investment, strengthen institutional capacity, and enhance competitiveness and sustainability in alignment with national climate and development priorities.

The Platform facilitates coordination among key stakeholders and aims to accelerate investments in the fields of carbon capture and utilisation, energy efficiency, circular economy, renewable electricity generation and climate technologies.

TIDIP will also leverage concessional financing, including the Climate Investment Funds' Clean Technology Fund (CTF), as well as technical assistance from IPA, EBRD and Türkiye Donors' Fund contributions. Under the technical assistance pillar of the TIDIP, 5.7 million euros will be financed by the European commission through IPA. Supporting the Platform will contribute to promoting decarbonisation, enhancing competitiveness of sector, ensuring alignment with EU technical and environmental regulations, increasing efficiency, supporting sustainable finance, implementing innovative technologies, and developing the circular and green economy in high-emission industrial sectors.

By 2030, TIDIP aims to unlock over 5 billion euros in climate-aligned industrial investments and channel technical assistance and concessional finance of, supported by both national and international donors.

### **b) Reform measures**

**Measure 1: “Supporting the modernization of SMEs and increasing their efficiency and competitiveness through digital transformation and green transformation in the manufacturing industry”**

**1. Description of measure:** The measure aims to support the modernization of SMEs and increase their efficiency and competitiveness through digital transformation and green transformation in the manufacturing industry.

The measure is included in the 12<sup>th</sup> Development Plan (2024-2028) under measure numbered 428 (The development of digital transformation in the manufacturing industry will be supported) and under Article 428.2 (SMEs in the manufacturing industry will be informed and supported to use digital technologies more effectively), 428.3 (Digitalization applications commonly needed in SMEs will be met with a central infrastructure and supporting software tools) and 428.4 (Model factories established to increase productivity will be designed on a regional basis and to provide new services for digital transformation, and their effectiveness will be increased). It overlaps with measures numbered 561.1 (SMEs and entrepreneurs will be supported with a focused approach within the framework of criteria such as rapid growth, technology-oriented exports, operating in the field of high technology, and increasing productivity).

There is an inclusive target entitled “Within the scope of supporting the transition to digital transformation during the program period, by accelerating the digital transformation process and supporting the capacity and capabilities of companies, especially SMEs, in adopting digital technologies, the sustainability of growth will be ensured” under the title of growth under macroeconomic targets and policies in the MTP (2026-2028). This target coincides with the measure expressed in this section of the Economic Reform Program.

***Activity 1: Establishment of Model Factories (Competence and Digital Transformation Centers) to increase the productivity of SMEs and ensure their digital transformation***

Model Factories are structures designed to enhance the productivity-oriented capacity of enterprises through awareness-raising activities, experiential learning-based training programs, business transformation projects known as “Learn–Transform,” and practical university–industry collaboration initiatives. A two-stage “Training of Trainers” process is carried out for the instructors who will work in these centers, and training and consultancy practices are implemented in pilot companies.

The establishment process of a Model Factory includes preparing the physical space, procuring machinery, equipment, and technical infrastructure, and setting up a learning line that enables hands-on instruction within the workshops. After the learning line is completed, a training curriculum tailored to the needs of the center is developed in addition to lean production and continuous improvement applications on the existing line, digital transformation competencies are integrated to create a comprehensive training infrastructure. In this way, Model Factories provide participants with both theoretical and practical learning opportunities within a training environment constructed around a sample product, without engaging in any commercial activity.

In terms of their legal entity structures, Model Factories operate as joint-stock companies or as economic enterprises within chambers, in cooperation with local stakeholders such as chambers of industry and commerce, universities, and organized industrial zones. These structures aim both to contribute to the regional industrial ecosystem and to develop a business transformation model aligned with national productivity policies.

In principle, Model Factories operate as non-profit structures, yet they provide their training and consultancy services for a designated fee. Their management structures are built upon a multi-stakeholder model that includes public institutions, private sector representatives, universities, and civil society organizations. This structure enables the centers to operate in a manner that is both aligned with the local industrial ecosystem and integrated with national policies.

The Learn–Transform Program implemented by Model Factories offers an experiential learning–focused transformation approach that directly supports performance improvement within enterprises. The Model Factory Performance Monitoring and Evaluation System – System Design Report, prepared by the Policy Analysis Laboratory within the scope of the “Applied SME Competency Center (Model Factory) Project” carried out in cooperation with the United Nations Development Program, demonstrates that this impact is evidenced through concrete outcomes.

According to the findings presented in the report, enterprises that received Learn-Transform services from Model Factories recorded significant improvements in their primary performance indicators: an 85 percent increase in capacity utilization, an 87 percent reduction in cycle times, 75 percent savings in production area, a 76 percent increase in output per employee, a 72 percent improvement in Overall Equipment Effectiveness (OEE), and a 68 percent reduction in cost per product. The program's secondary effects have also strengthened enterprises' sustainability and quality performance: a 58 percent reduction in electricity consumption, a 42 percent decrease in defective products, a 39 percent reduction in scrap, a 38 percent decrease in equipment failures, and a 31 percent reduction in waste generation. These results demonstrate that the Model Factory approach significantly enhances both the productivity parameters and the competitiveness levels of enterprises.

In line with the aforementioned benefits, numerous efforts are underway to increase the number of Model Factories and to strengthen their capacities. To enable a larger number of SMEs to access Model Factory services, four new Model Factories have been added to the eight already in operation (Ankara, Bursa, Konya, Kayseri, Gaziantep, Mersin, Adana, İzmir): Eskişehir and Samsun in 2024, and Denizli and Kocaeli in 2025. With these additions, the total number of operational Model Factories has reached twelve.

With the four additional Model Factories planned to be established in the upcoming period, the total number is expected to reach sixteen. The establishment processes for new Model Factories planned in Tekirdağ, Trabzon, Sakarya, and Malatya are currently underway.

In order to develop a skilled workforce capable of delivering services in Model Factories, a Model Factory Instructor Training Program was implemented. Out of more than 2,000 applications received for the Program, approximately 240 candidates successfully passed the competency assessment phase and participated in the trainings. A total of 233 individuals who successfully completed the Program were included in the Model Factory Instructor pool.

This activity under the reform measure is financed through the Public Investment Program. In addition, the United Nations Development Program (UNDP) provides technical assistance to support the Model Factory establishment process.

### ***Activity 2: Ensuring the Effective Green Transformation of Industrial SMEs***

The “Türkiye Green Industry Project” was launched with the support of the World Bank to promote sustainable growth and green transformation. With a total budget of 450 million dollars, the Project is implemented by relevant institutions, aiming to prepare Turkish industry for the new competitive conditions introduced by the EU Green Deal. The project is planned to run for six years, and the activities of each project partner are listed below:

- The Ministry of Industry and Technology, under the technical assistance component and with a budget of 25 million dollars, the Ministry carries out technical assistance and capacity-building activities for industrial enterprises, including the preparation of green transformation roadmaps.
- With a budget of 250 million dollars, KOSGEB supports the activities of SMEs in thematic areas such as renewable energy, resource efficiency, waste management, circular economy, and sustainability. In this context, the Green Industry Support

Program has launched calls for ‘Supporting Solar Energy Investments of Industrial SMEs’ and ‘Clean and Circular Economy in Industry’. Under these calls, 3,456 enterprises applied, and the applications of 2,368 enterprises were approved. Payments amounting to 6,294 billion TL have been made to enterprises whose projects were approved, and disbursements are ongoing. The Project-based Green Industry Support Program has been newly launched and the process for projects which is approved, is being still carried out.<sup>4</sup>

- With a budget of 175 million dollars, TÜBİTAK supports all firms engaged in green innovation activities involving the development of new green technologies, products, or processes. Within this scope, the following programs have been launched: “1831 – Green Innovation Technology Mentorship Support”, “1832 – Green Transformation Support in Industry” and “1833 – SAYEM Green Transformation Support”.

### ***Activity 3: Ensuring the Digital Transformation of Manufacturing SMEs***

To ensure digital transformation in SMEs, it is important to analyze their current situation, determine their digital transformation needs, and prepare their own digital transformation roadmaps in line with these needs.

In the “2023 Industry and Technology Strategy” announced in 2019, it was aimed to develop a digital transformation maturity assessment system in order to determine the digital transformation roadmap of enterprises, make comparisons according to the size of the enterprise, monitor the impact of the investments made and provide data for industrial policies, and to develop a model that will determine the digital transformation maturity levels and roadmaps of enterprises and reveal the areas to be invested. In line with this goal, the D3A digital transformation assessment and roadmap tool, which includes a software-based algorithm and was created by TÜBİTAK Türkiye Industrial Management and Administration Institute (TÜSSİDE) with stakeholder institutions/organizations, was developed in order to standardize the digital maturity level of enterprises and develop a strategy regarding digitalization. A hybrid training program was also prepared to train Digital Transformation Consultants who will measure the digital maturity level of enterprises using D3A and create a roadmap in this context. 111 Digital Transformation Consultants who have completed their training and been certified have started to provide services.

In 2021, a cooperation protocol was signed between KOSGEB and TÜBİTAK TÜSSİDE covering the cooperation issues to be made for the establishment of the necessary mechanism for enterprises to provide digital transformation consultancy services in the most effective way. Within the framework of the protocol, digital transformation consultancy services received from Digital Transformation Consultants to SMEs operating in the manufacturing sector were supported by KOSGEB with the Digital Transformation Consultancy Support included in the Enterprise Development Support Program, which was repealed on 15 April 2024. This support was later included in the YÖNDE - Guidance and Assessment Support Program, which was put

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<sup>4</sup> The total CO<sub>2</sub> emissions of the manufacturing sector was approximately 127 million tons in 2020 in Türkiye. Overall, Türkiye still has high fossil fuel dependency, and industry, in particular, has the highest energy consumption at 36 percent of the total, sources 28 percent of energy from natural gas, 26 percent from electricity, 21 percent from oil, and 18 percent from coal. In addition, water consumption is also high in industrial activities, calculated at 2,898 million m<sup>3</sup> in 2018. In this context, it is expected to decrease in carbon emission by installing solar energy systems in industrial SMEs and to improve these SMEs’ resource efficiency, with a focus on energy, water, and waste management efficiency to raise the awareness among SMEs about the current and future sustainability requirements in internal and foreign markets.

into effect on 1 August 2024. Within the scope of the new support program, SMEs operating in the manufacturing sector will receive digital transformation assessment analysis and roadmap service, sustainability reporting service, lean maturity assessment analysis (YODA) service will be provided with non-refundable support with an upper limit of 280,000 TL, and the support rate is 80 percent. With YÖNDE, the aim is to contribute to determining the current status of SMEs on priority issues, determining their problems and needs, creating the necessary strategies, developing their capacities in line with these strategies and meeting their needs.

The Memorandum of Understanding titled “Cooperation for Supporting SMEs within the Scope of Digital Transformation and Disaster Response Initiatives” was signed between KOSGEB and the EBRD on 2 August 2023. The aim of the said Memorandum of Understanding is to provide financing for the investments to be made by SMEs in the manufacturing sector for their digitalization. The SME Digital Transformation Support Program, which was launched in May 2024, focuses on contributing to the digitalization of small and medium-sized enterprises and increasing their productivity and competitive advantage. Within the scope of the program, SMEs are provided with financial support to improve, modernize and make their business processes more efficient in line with the solution suggestions included in the digital transformation/maturity assessment reports. The businesses are provided with up to 20 million TL in loans for digitalization investments and a portion of the loan costs are supported by KOSGEB. In the support program, the implementation of digitalization strategies in line with the approved DDX Digital Transformation Assessment Reports prepared by consultants certified/authorized by TÜBİTAK TÜSSİDE have been prioritized, and the applications to be made with the approved SIRI digital maturity reports prepared by consultants certified/authorized by the Turkish Metal Industrialists' Union (MESS) Technology Center (MEXT) and İstanbul Apparel Exporters' Association (İHKİB) Digital Transformation Center have also been included in the scope of support at the last quarter of 2024. Within the scope of the SME Digital Transformation Support Program, it is anticipated that the support applications of 150 enterprises will be approved to the end of 2025.

It is expected with supporting digital maturity roadmap to increase in awareness of SME on its current status to show the impact of investments made by enterprise, to set a course for needed and required steps. After the preparation of the roadmap, enterprises may benefit from KOSGEB SME Digital Transformation Support Program which provide credit for SMEs' digitalization investments made depending on suggestions in the roadmap. Monitoring and evaluating of these supports will be done in the future due to the fact that these programs have been newly launched. Support program aims to foster a transformation for Turkish manufacturing SMEs, prioritizing digital transformation as a driver for more global competitiveness. It is expected that strengthening the financial resilience of SMEs, SMEs' awareness of digital transformation will increase and their digitalization levels will increase thanks to digital transformation investments.

#### ***Activity 4: Supporting the green transformation of Organized Industrial Zones***

The 12<sup>th</sup> Development Plan includes “designing green transformation projects for existing OIZs and Industrial Zones and promoting clean energy production and use by disseminating Green OIZs and Green Industrial Zones”. The Organized Industrial Zones Law No. 4562 was

amended on 10 April 2023, and the “Green OIZ definition” was added. On this occasion, the green OIZ projects that will ensure the integration of OIZs into the green economy have been allowed to be carried out.

To support the development of Türkiye, important studies have been carried out in both the public and private sectors to turn concepts such as renewable energy, clean production, green infrastructure and resource efficiency into sustainable policies. In this context, projects that contribute to the transformation of OIZs into “green/sustainable production areas” to use resources effectively and transform them into a greener and more competitive industrial structure have been carried out. One of these projects is the World Bank-financed “Türkiye Organized Industrial Zone Project”. A loan agreement with a budget of 250.3 million euros was signed with the World Bank. In this regard, subprojects deemed suitable for the project objectives are credited for 13 years with a 3-year grace period, with a 3 percent interest rate, if they are accepted into the investment program. Within the scope of the project, credit support is being provided to 36 OIZs for 43 sub-projects. The project will be completed on 31 December 2028. The development goal of the project is to increase the efficiency, environmental sustainability and competitiveness of OIZs in Türkiye. Within the scope of the Green OIZ Project, supporting the infrastructure and suitable environment for the sustainability, competitiveness and efficiency of the OIZ and technical assistance, capacity development and project management activities will be carried out. The main components of the project consist of supporting the infrastructure and suitable environment for the sustainability, competitiveness, and efficiency of the Organized Industrial Zone, as well as technical assistance, capacity building, and project management activities. Investment projects within the scope of the project include wastewater treatment plants, wastewater recovery and reuse facilities, sludge drying facilities, solar power plants, digital transformation, LED lighting systems, infrastructure, environmental laboratory, integrated communication, and security systems.

#### **i. Activities planned in 2026<sup>5</sup>:**

##### ***Activity 1: Establishment of Model Factories (Competence and Digital Transformation Centers) to increase the productivity of SMEs and ensure their digital transformation***

- Efforts are ongoing to establish Model Factories in 3 new provinces (including facility construction, procurement of machinery and equipment, personnel recruitment, and service procurement for training and consultancy). It is also aimed to carry out activities for establishing, developing, and strengthening the digital transformation infrastructures of Model Factories, as well as enhancing their institutional capacities.

##### ***Activity 2: Ensuring the Effective Green Transformation of Industrial SMEs***

- It is anticipated that 300 businesses will be supported by KOSGEB, and 130 businesses will be supported within the scope of increasing the renewable energy capacities of industrial SMEs. Support will be provided on a call basis.
- The Green Industry Project aims to carry out technical assistance and capacity-building activities for the Ministry of Industry and Technology and project partners,

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<sup>5</sup> Model Factory establishment works are ongoing in four provinces (Sakarya, Malatya, Trabzon, and Tekirdag) and will continue throughout 2026 and 2027.

to carry out awareness-raising activities among organizations, companies, and individuals related to green transformation, and to increase the national visibility of green transformation efforts.

***Activity 3: Ensuring the Digital Transformation of Manufacturing SMEs***

- It is expected that regarding digital transformation, the current status of approximately 200 manufacturing small and medium-sized enterprises will be determined and their road maps will be developed. It is planned to implement this support provided by KOSGEB openly and continuously. It is anticipated that loan interest/profit share support will be provided to 156 businesses within the scope of providing SMEs with access to finance for their digitalization investments.

***Activity 4: Supporting the green transformation of Organized Industrial Zones***

- Within the scope of the Green OIZ Project, it is planned to complete the tender processes for wastewater treatment facilities, wastewater reclamation and reuse facilities, solar energy power plants, infrastructure investments, environmental laboratory, and integrated communication and security systems; furthermore, it is planned to ensure the uninterrupted continuation of manufacturing and implementation activities within the scope of signed contracts, in accordance with the relevant legislation and technical specifications.

**ii. Activities planned in 2027:**

***Activity 1: Establishment of Model Factories (Competence and Digital Transformation Centers) to increase the productivity of SMEs and ensure their digital transformation***

- Efforts to establish a Model Factory in a new province will continue (including facility construction, procurement of machinery and equipment, personnel recruitment, and service procurement for training and consultancy). It is also planned to carry out activities aimed at establishing, developing, and strengthening the digital transformation infrastructures of Model Factories, as well as enhancing their institutional capacities.

***Activity 2: Ensuring the Effective Green Transformation of Industrial SMEs***

- It is anticipated that 250 businesses will be supported by KOSGEB for energy and resource efficiency, and 200 businesses will be supported within the scope of increasing the renewable energy capacities of industrial SMEs. Support will be provided on a call basis.
- The Green Industry Project aims to carry out technical assistance and capacity-building activities for the Ministry of Industry and Technology and project partners, to carry out awareness-raising activities among organizations, companies, and individuals related to green transformation, and to increase the national visibility of green transformation efforts.

***Activity 3: Ensuring the Digital Transformation of Manufacturing SMEs***

- KOSGEB is expected to determine the current status of approximately 250 small and medium-sized manufacturing enterprises regarding digital transformation and create road maps. It is planned to implement this support openly and continuously. It is

anticipated that loan interest/dividend support will be provided to 172 businesses within the scope of providing SMEs with access to finance for their digitalization investments.

***Activity 4: Supporting the green transformation of Organized Industrial Zones***

- Within the scope of the Green OIZ Project, it is planned to complete the tender processes for water recovery plant, wastewater treatment plant, green infrastructure, solar power plants, LED lighting, and fiber infrastructure investments to continue ongoing implementation activities and to complete and commission certain projects.

**iii. Activities planned in 2028:**

***Activity 1: Establishment of Model Factories (Competence and Digital Transformation Centers) to increase the productivity of SMEs and ensure their digital transformation***

- It is aimed to carry out activities for establishing, developing, and strengthening the digital transformation infrastructures of Model Factories, as well as enhancing their institutional capacities.

***Activity 2: Ensuring the Effective Green Transformation of Industrial SMEs***

- It is anticipated that 250 businesses will be supported by KOSGEB for energy and resource efficiency, and 200 businesses will be supported within the scope of increasing the renewable energy capacities of industrial SMEs. Support will be provided on a call basis.
- The Green Industry Project aims to carry out technical assistance and capacity-building activities for the Ministry of Industry and Technology and project partners, to carry out awareness-raising activities among organizations, companies, and individuals related to green transformation, and to increase the national visibility of green transformation efforts.

***Activity 3: Ensuring the Digital Transformation of Manufacturing SMEs***

- It is expected that the current status of approximately 250 manufacturing small and medium-sized enterprises regarding digital transformation will be determined and road maps will be created. It is planned to implement this support openly and continuously. It is envisaged to provide loan interest/dividend support to 189 businesses within the scope of providing SMEs with access to finance for their digitalization investments.

***Activity 4: Supporting the green transformation of Organized Industrial Zones***

- Within the scope of the Green OIZ Project, the manufacturing of the tendered sub-projects will be completed and put into service.

## 2. Result Indicators:

Indicator	Current Situation	2026	2027	2028
<b><i>Activity 1: Establishment of Model Factories to increase the productivity of SMEs and ensure their digital transformation</i></b>				
Number of Capability and Digital Transformation Centers (Model Factory) in operation*	12	15	16	16
Number of businesses served by Capability and Digital Transformation Centers (Model Factory) that started operating**	4604	6500	8300	10150
<b><i>Activity 2: Ensuring the Effective Green Transformation of Industrial SMEs</i></b>				
Decrease in Electricity Consumption per Production Unit by Beneficiary Companies (%)	0	10	10	10
Decrease in Water Consumption per Production Unit by Beneficiary Companies (%)	0	10	10	10
Decrease in Non-Circular Waste by Beneficiary Companies (%)	0	10	10	10
Annual Electricity Generated from Renewable Sources Used by Beneficiary Companies (MWh)	0	70	70	70
<b><i>Activity 3: Ensuring the Digital Transformation of Manufacturing SMEs</i></b>				
Number of Businesses Where the Current State of Digital Transformation is Identified and a Roadmap is Prepared	214	1560	1720	1890
Number of Businesses Using Credit for Digitalization Investments	41	156	172	189
<b><i>Activity 4: Supporting the green transformation of Organized Industrial Zones</i></b>				
Energy savings from OIZ both basic and green infrastructure investments (MWh)	2,913.12	2,793	8,376	13,827.68
Water savings from OIZ green investments (m <sup>3</sup> )	0	662,800	1,988,400	3,976,800
Annual reduction in CO <sub>2</sub> emissions due to supported investments (metric ton)	1,859.79	1,843	5,530	9,201
Wastewater treated in new/upgraded facilities (m <sup>3</sup> )	0	2,920,000	8,760,000	17,520,000

\* Since Model Factories are large-scale investments, ensuring the full involvement of local stakeholders and the completion of infrastructure works is essential. Changes in government support and incentives may affect the number of Model Factory services and the associated result indicators. In consideration of these factors, the result indicators specified in the previous ERP have been updated. The values are cumulative.

\*\* The relevant values also include the additional service types provided by the Model Factories (Learn-Transform Program, Experiential Trainings, Awareness Trainings, Project Implementation services, etc.). Considering the current service portfolio and the operational capacities of the centers, it is estimated that the Model Factories can serve an annual average of approximately 850 companies. In addition, within the scope of the Capacity Building Program carried out by KOSGEB in the coming period, an increase in demand is expected to reach approximately 1,500 companies annually. The values are cumulative.

### **3. Expected impact on competitiveness:**

***Activity 1: Establishment of Model Factories to increase the productivity of SMEs and ensure their digital transformation:*** The impacts of Model Factories on enterprises have been comprehensively assessed through field studies carried out by the Ministry of Industry and Technology in cooperation with UNDP. The report titled “Impact of Model Factory Services: A Field Study on Firms” demonstrates that enterprises participating in the Learn–Transform Program achieved notable improvements in key performance indicators such as capacity utilization, cycle times, production area requirements, output per employee, and Overall Equipment Effectiveness (OEE), while significant reductions were observed in cost, defect rates, scrap, breakdowns, and energy consumption. These gains not only enhance enterprises’ competitiveness through direct productivity effects but also yield sustainable improvements in quality, delivery performance, and organizational capabilities. In addition, the document “Capability and Digital Transformation Centers: Model Factories” prepared by the Ministry shows that the nationwide expansion of lean and digital transformation practices will strengthen productivity-based competitiveness in the manufacturing sector and contribute to the country’s digital and green transformation objectives. These effects indicate the potential for positive outcomes in macro-level indicators such as contribution to GDP, increased export capacity, resource efficiency, energy savings, and the reduction of carbon emissions.

On the other hand, as the current impact analysis methodology is largely based on theoretical assumptions and these assumptions do not fully align with actual conditions in the field, it has been planned to conduct a new, large-scale impact analysis study in 2026 covering all Model Factories in operation, based on direct data collection from the field. The data to be obtained through these field studies will enable a much more robust, measurable, and evidence-based monitoring of the concrete outputs and economic impacts of structural reforms. Within this framework, it is envisaged that the results of the impact analysis will be reflected in the upcoming monitoring periods.

***Activity 2: Ensuring the Effective Green Transformation of Industrial SMEs:*** Within the scope of the Green Industry Support Program, it is expected that 700 industrial SMEs will benefit from the support over the next three years to increase their renewable energy capacities. As a result of this support, the generation of 210 MW of energy from renewable energy sources is anticipated. Additionally, approximately 630 enterprises are expected to benefit from the program aimed at improving energy and resource efficiency in industry. Depending on their project topics, enterprises are expected to reduce their electricity and water consumption by 10 percent and increase their waste recycling rates by 10 percent.

Through the SME Digital Transformation Support Program, which provides loans for SMEs’ digitalisation investments, around 517 enterprises are expected to improve, modernise, and enhance the efficiency of their business processes over the next three years, in line with the solution recommendations set out in their digital transformation/maturity assessment reports.

***Activity 4: Supporting the green transformation of Organized Industrial Zones:*** It is anticipated that increasing innovation capacity and the level of technology adoption in OIZs will lead to higher productivity in firms, while reducing unit costs and energy consumption that environmental compliance will be transformed into a cost advantage through cleaner production, resource efficiency and renewable energy applications and that the competitiveness

of enterprises will be durably strengthened. Strengthening operational continuity and supply chain reliability through low-carbon, climate and disaster-resilient industrial infrastructures, together with increased domestic and foreign investment driven by an improved investment environment, is expected to transform OIZs into regional and national centres of attraction. These effects are also expected to generate positive outcomes in macroeconomic indicators such as increased export capacity, improved resource and energy efficiency, reduced carbon footprint, and facilitated access to green finance instruments.

**4. Estimated cost of the activities and the source of financing:**

**2026:** 11,065,482,000 TL – 203,808,129 euros (Central Budget + Project Loans)

**Activity 1:** Establishment of Model Factories to increase the productivity of SMEs and ensure their digital transformation 50,000,000 TL (Central Budget)

**Activity 2:** Ensuring the Effective Green Transformation of Industrial SMEs 1,898,125,000 TL (Project Loans)

**Activity 3:** Ensuring the Digital Transformation of Manufacturing SMEs 706,357,000 TL (Central Budget)

**Activity 4:** Supporting the green transformation of Organized Industrial Zones 8,411,000,000 TL (Project Loans)

**2027:** 5,547,173,850 TL – 93,879,288 euros (Central Budget + Project Loans)

**Activity 1:** Establishment of Model Factories to increase the productivity of SMEs and ensure their digital transformation 80,000,000 TL (Central Budget)

**Activity 2:** Ensuring the Effective Green Transformation of Industrial SMEs 2,019,959,000 TL (Project Loans)

**Activity 3:** Ensuring the Digital Transformation of Manufacturing SMEs 747,214,850 TL (Central Budget)

**Activity 4:** Supporting the green transformation of Organized Industrial Zones 2,700,000,000 TL (Project Loans)

**2028:** 3,026,935,213 TL - 48,308,460 euros (Central Budget + Project Loans)

**Activity 1:** Capacity and infrastructure development for Model Factories 30,000,000 TL (Central Budget)

**Activity 2:** Ensuring the Effective Green Transformation of Industrial SMEs 2,141,156,540 TL (Project Loans)

**Activity 3:** Ensuring the Digital Transformation of Manufacturing SMEs 855,778,673 TL (Central Budget)

**5. Expected impact on social outcomes, such as employment, poverty reduction, equality between women and men and access to health care:**

**Activity 1: Establishment of Model Factories to increase the productivity of SMEs and ensure their digital transformation:** Employment will increase due to the employment of the personnel required by the project in the Model Factories to be established and in the project

partners. In addition, an increase in employment is expected in the manufacturing industry due to the increase in productivity in the medium and long term.

**Activity 2: Ensuring the Effective Green Transformation of Industrial SMEs:** With the Türkiye Green Industry Project, economic growth will be achieved and employment creation will be encouraged. In the project, individuals or groups with special needs were identified.<sup>6</sup> The ability of these groups to benefit from the project will be ensured through promotional activities. It is not thought that these groups will be negatively affected by the project.

**Activity 3: Ensuring the Digital Transformation of Manufacturing SMEs:** It is expected that the activities to be carried out by KOSGEB will contribute to employment creation, but it is not foreseen that it will have a direct impact on groups that require special policies.

## 6. Expected impact on environment and climate change:

**Activity 1: Establishment of Model Factories to increase the productivity of SMEs and ensure their digital transformation:** In Model Factories, with the lean and efficient production techniques learned in Model Factories, companies will make serious improvements in resource use and waste production. With the activities of the Model Factory, it will be possible to develop new technologies for sustainable production.

**Activity 2: Ensuring the Effective Green Transformation of Industrial SMEs & Activity 3: Ensuring the Digital Transformation of Manufacturing SMEs:** In the Green Industry Project, based on a circular economy, manufacturing industry companies will benefit from the power of renewable energy, apply energy-efficient technologies, and pave the way for a sustainable future. It is aimed to ensure that companies transition towards a sustainable and durable future with low carbon emissions.

It will contribute to a good quality of life by reducing health risks arising from the negative environmental effects of traditional production. It will help preserve biological diversity and protect national resources by increasing usage efficiency. Investments financed by the project will create net employment as well as improve the quality of jobs, which will help eliminate poverty by promoting prosperity and social equality. It will motivate new foreign direct investment flows into the sector and promote an environmentally friendly business environment that uses resources efficiently. It is expected that digitalization of the manufacturing processes of small and medium-sized manufacturing enterprises will reduce carbon emissions and contribute to green growth.

**Activity 4: Supporting the green transformation of Organized Industrial Zones:** In the Green OIZ Project, potential subprojects are expected to have positive environmental and social impacts. The environmental risk of the project is rated as “significant”. On the other hand, the social impacts of the project are expected to be lower and therefore its social risk has been determined as “medium”. It is aimed to minimize or eliminate all environmental and social impacts that may arise during implementation with the environmental and social assessment tools to be prepared (ESIA: Environmental and Social Impact Assessment and ESMP: Environmental and Social Management Plan).

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<sup>6</sup> They refer as businesses run by or owned by women, businesses managed by or owned by refugees/immigrants, young businesses with less than 5 years of operation and businesses in underdeveloped regions located outside the borders of metropolitan cities.

## 7. Potential Risks:

Risk	Probability	Planned mitigating action
<b><i>Activity 1: Establishment of Model Factories to increase the productivity of SMEs and ensure their digital transformation</i></b>		
Insufficient demand for training and consultancy services from businesses	Medium	Awareness raising activities for businesses will be organized.
Competence of the project partners in carrying out the activities and the negative effects of the periodic situations in the country on the budget and sustainability	Medium	Defining the stakeholders as public and private sectors, international organizations and universities in terms of capability and risk management
<b><i>Activity 2: Ensuring the Effective Green Transformation of Industrial SMEs &amp; Activity 3: Ensuring the Digital Transformation of Manufacturing SMEs</i></b>		
Environmental and social impacts that may arise from activities planned to ensure the green and digital transformation of SMEs	Medium	Taking protective measures by evaluating environmental and social impacts
<b><i>Activity 4: Supporting the green transformation of Organized Industrial Zones</i></b>		
Environmental and social impacts that may occur during the implementation of sub-projects to be carried out under the Green OIZ Project	Medium	During project implementation, minimizing or eliminating risks/impacts with the environmental and social assessment tools to be prepared.

## Tourism

The tourism sector is one of Türkiye's globally competitive sectors and accounts for a significant share of Türkiye's services exports. However, this sector stands out with its dependence on seasonality, complex structure that brings together different sectors, interdependence, labor-intensive structure and vulnerability to various external factors. Especially unexpected situations such as pandemics, economic crises and natural disasters can affect the tourism sector.

While the total number of visitors to Türkiye was 51.7 million in 2019, due to border closures and travel restrictions during the pandemic period, this figure declined to 16 million and 30 million in 2020 and 2021 respectively. In 2022, despite the geopolitical risks stemming from the Russia–Ukraine war, tourism targets were not adversely affected thanks to intensive promotional activities and the total number of visitors to country reached 51.4 million, almost reaching the pre-pandemic level. Although 2023 started strongly in terms of tourism sector, in February, a devastating earthquake struck several provinces of Türkiye and the number of visitors from some countries was negatively affected. Nevertheless, the adverse effects were mitigated through measures taken and initiatives implemented, and by the end of 2023 the total number of visitors rose to 56.7 million, surpassing pre-pandemic levels. In 2024, the positive

momentum in the tourism sector continued, with Türkiye welcoming a total of 62.3 million visitors by the end of the year. In 2025, this strong performance persisted, and by November, 58.5 million visitors arrived in the country. All these developments clearly demonstrate the importance of maintaining a planned, data-driven, and comprehensive strategic approach to ensure the sustainability of the tourism sector.

The tourism sector continues to evolve as an open and innovative industry in an extremely competitive environment where consumer demands change rapidly. Crises have significantly affected the tourism sector with the changes they have created in consumer behavior, and the rapid change in demand has made effective digital and sustainable transformation critical for the continuity of tourism activities and the competitiveness of tourism.

**b) Reform measures**

**Measure 2: “Promoting sustainable tourism and branding”**

**1. Description of measure:** As it is highly sensitive to global developments and crises, the tourism sector plays an important role in the country's development. Therefore, it is critical to ensure its continuity and resilience in order to maintain its competitive position in the world. In this context, this measure introduces sustainability-oriented promotion, branding, and destination-development strategies to enhance Türkiye's tourism competitiveness and climate resilience. At the same time, it aims to protect the country's cultural, natural, and historical assets while increasing brand value and reaching new high-income and sustainability-focused markets. The measure targets tourism enterprises, local stakeholders, and international visitors, with the strategic objective of expanding tourism across 12 months and all 81 provinces through diversified, sustainable tourism products.

In line with the objectives of the 12<sup>th</sup> Development Plan, the priorities are to harmonize international criteria for sustainable tourism within the framework of national and local needs, increase the participation of local people in tourism sustainability, develop cooperation and good practices in sustainability, determine measurement tools to generate data on sustainability in tourism and creating platforms for data distribution, adopt a holistic approach in destination management planning by considering sensitivity to environmental and cultural values, protection-utilization balance and carrying capacity, increase the adaptation capacity of the sector against the dangers and risks arising from climate change and reduce its impact to climate change, ensure sustainability in product diversity and establish decision mechanisms, harmonize vocational training with sectoral requirements, sustainability principles and the conditions of the age, ensure the relationship and harmony of plan objectives, goals and policies with sustainable development aims and align tourism policies with sustainable development scopes.

In order to implement this measure, the development of branded tourism products that appeal to evolving and changing consumer preferences with a focus on sustainability, conducting effective digital promotion (social media, travel media, etc.) suitable for the target audience, as well as traditional promotion activities will be carried out. Furthermore, by deploying strategies that are put into an action by economic resilience and flexibility, Türkiye has focused on different markets and strengthened its portfolio with a variety of tourism products. In addition to mass tourism products focused on sea, sand and sun, different tourism

products with a focus on sustainability are highlighted in promoted campaigns and diversity in tourism products is emphasized. In this way, it is aimed to contribute to increasing the resilience and sustainability of tourism by extending the tourism season to 12 months and encouraging tourism across the country.

The Safe Tourism Program, launched in June 2020 with the pandemic process, has ensured that tourism enterprises provide reliable services, and as of 2023, more than 12,000 facilities and vehicles have been audited by international audit firms authorized by the Tourism and Development Agency (TGA) within the scope of the program and have been awarded certificates. Due to the easing of Covid-19 measures across the country, the Safe Tourism Program became voluntary as of May 2023, and the criteria of the program were revised as general hygiene standards. These standards are ready to respond quickly to the needs of the industry in possible crisis situations such as Covid-19.

During the 2020-2021 pandemic period, “Safe Tourism” and “Safe in Istanbul” campaigns were launched with a focus on health and hygiene service approach in order to increase the market share and brand value of country and to instill a sense of trust in the continuity of tourism activities, and various promotional activities, especially on digital platforms, were carried out in this context.

In addition to Istanbul is the New Cool, Turkaegean, Turkish Riviera regions, which were branded in 2021-2022 and continued to be communicated in 2023, promotional and branding activities were carried out globally on the themes of Anatolian Culture Routes, Cycling, and Sustainability in 2023 in Cappadocia, the region that will be a “branded destination” in the world and in the Black Sea Region.

In 2023-2024, the global communication campaign for the “Sustainable Türkiye” brand was successfully conducted, highlighting Türkiye's achievements in sustainable tourism worldwide. Additionally, to further develop the branding of gastronomy tourism, “Deliciously Türkiye” brand was launched. The “Eastern Anatolia” brand was also established, incorporating Eastern and Southeastern regions of among the branded destinations.

As of 2024, insight-driven content directly appealing to target countries and audiences has been rolled out as part of the brand communication efforts of Türkiye as a prime tourism destination. In addition to all these, in order to take into consideration Türkiye's high potential in the field of Sustainable Gastronomy, the “Deliciously Sustainable” series, in which Michelin Green Star chefs explain how they continue the theme of sustainability in gastronomy, was published in December 2024.

Within the scope of updating the Safe Tourism Certification Program in line with new needs and demands, it is planned to transform the Safe and Sustainable tourism concept into an international program. Adopting the principle of sustainability in tourism planning, Türkiye has increased its efforts in this field with the cooperation agreement signed with the Global Sustainable Tourism Council (GSTC) in 2022 and launched the “Türkiye Environmental and Cultural Sustainability Program<sup>7</sup>” with international standards. Türkiye has taken a pioneering

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<sup>7</sup> The program name listed as “Sustainable Tourism Program” in the ERP (2025-2027) has been changed to “Türkiye Environmental and Cultural Sustainability Program.”

step in sustainability on a global scale by becoming the first country to reach a government-level agreement with the GSTC.

Türkiye Environmental and Cultural Sustainability Program is designed as a three-phase certification framework that aims to systematically manage the environmental, cultural, and socio-economic impacts of the tourism industry. Grounded in four principal pillars—sustainable management, socio-economic impacts, cultural impacts, and environmental impacts—the program requires tourism enterprises to achieve 30 percent, 70 percent, and 100 percent compliance across successive phases. The program is designed to be implemented in three phases: Stage 1 Verification, Stage 2 Verification, and Stage 3 Certification. The first phase of the program is scheduled for completion in 2023, the second phase in 2025 and the third phase in 2030, with the aim of meeting all international standards throughout this process. Accommodation facilities that comply with the 14 criteria set for Stage 1 receive the Stage 1 Verification, which represents 30 percent compliance. Facilities that comply with the 14 Stage 1 criteria along with the 15 additional criteria for Stage 2, totaling 29 criteria, receive the Stage 2 Verification, which indicates 70 percent compliance. Facilities meeting all 42 criteria are obtained the Level 3 Certificate, which means 100 percent compliance and qualify for the Environmental and Cultural Sustainability Certification. These criteria include comprehensive indicators such as the establishment of a sustainability management system, support for regional development, protection of cultural heritage, enhancement of energy and water efficiency, waste and pollution management, and the conservation of biodiversity and natural landscapes. Aligned with the standards of the GSTC, the program provides a strategic and nationally contextualized framework that seeks to safeguard Türkiye's natural and cultural assets while enhancing the long-term resilience and sustainability of its tourism sector.

As of 29 December 2025, 2,138 accommodation facilities have received a Stage 3 Certificate, 10,448 accommodation facilities have received a Stage 2 Verification, and 3,558 accommodation facilities have received a Stage 1 Verification. In total, 16,144 accommodation facilities have been registered as sustainable verified/certified.

Under the program, the Türkiye Sustainable Tourism Criteria (TR-I) for accommodation facilities were established and officially declared “recognized” according to GSTC standards in 2022. The program includes accommodation facilities, tour operators and destinations within its broad scope. The criteria contribute to the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs).

On 15 November 2022, Circular No. 2022/2 was published, making it mandatory for accommodation facilities to obtain at least Stage 1 Verification in the Program until 31 December 2023. This regulation represents an exemplary legal arrangement for the world. It also contributes to supporting the United Nations Sustainable Development Goals, ensuring compliance with legal regulations and commitments such as the Paris Climate Agreement, and protecting Türkiye's competitiveness in the tourism sector.

With the circular dated 25 July 2024 and numbered 2024/5, it is obligatory for all accommodation facilities, except for the facilities that already have a Stage 3 Certificate, to obtain a Stage 2 Verification until the end of 2025. Finally, the current circular has been updated

with Circular No. 2025/4 dated 26 December 2025, with the name of the “Türkiye Environmental and Cultural Sustainability Program.”

With the support of the TGA, the Global Sustainable Tourism Council (GSTC) is further developing a new standard for tourism food service providers. In addition, it is planned to launch a Pilot Certification Program for the Turkish Food and Beverage sector. This program will be implemented as a module of the Türkiye Environmental and Cultural Sustainability Program with the criteria and revised indicators in the GSTC Industry Criteria to assess the feasibility of restaurant certification.

In order to ensure the sustainable development of the tourism sector in country, primarily in line with the aim of determining the effects of climate change on the tourism sector, taking sectoral measures against these effects and increasing the adaptation capacity to climate change, as well as determining the principles for reducing the greenhouse gas emissions and climate change effects resulting from tourism activities and facilities in 2021;

- “Report on Determining the Conceptual Framework of Climate Change and Tourism Relations on a National Scale”,
- “Report on Determination of Spatial Planning Principles Compatible with Climate Change in Tourism Areas” were prepared and completed in 2022.

In order to reduce the impacts of climate change on the tourism sector and to enhance the sector's adaptive capacity, the provinces of Çanakkale, Mersin, and Kayseri were selected as pilot areas for climate analyses in 2024. In these provinces, studies on the Tourism Climate Index Analysis, Climate Suitability Assessment, Vulnerability and Risk Analysis, and the Preparation of Adaptation Plans were completed in 2024. Through these studies, the interactions between climate change and tourism have been scientifically identified, and planning principles aimed at mitigating adverse impacts have been developed. Moreover, the integration of climate projections into tourism planning and the development of climate models have contributed to identifying new investment areas and strengthening sectoral resilience.

In 2025, efforts to enhance climate change adaptation in the tourism sector continue. In this context, based on the outcomes of the 2024 climate analyses, two key studies are being implemented: “Climate-Resilient Spatial Plan Preparation for Culture and Tourism Conservation and Development Regions and Tourism Centers: The Case of Çanakkale Tourism Center” and “Preparation of the Climate-Resilient Designation and Spatial Planning Guideline for Culture and Tourism Conservation and Development Regions and Tourism Centers”. These studies aim to integrate climate change adaptation into tourism planning processes, guide investments in a climate-sensitive manner, and strengthen the understanding of sustainable tourism.

The Ministry of Culture and Tourism plans the necessary work to protect and increase the number of Blue Flags, which is one of the most important and effective issues in terms of the sustainability of sea, sand and sun themed tourism in coastal areas, and intervenes when necessary, by taking measures against possible problems.

In line with the SDGs, in order to realize the principles of sustainability at the destination, projects are planned and pilots are implemented to protect cultural and natural values, ensure

energy efficiency, implement renewable energy applications, separate waste, expand tourism to four seasons, bring technology and art together, and increase the welfare of the people of the region. In addition, various pollution prevention projects are implemented regionally with the awareness of environmental protection.

A “Bicycle Friendly Hotel” concept will be implemented for bicycle tourism, which protects the nature by enabling emission-free travel and at the same time makes it possible to visit the environment in harmony with nature. It is aimed to increase the number of facilities included in the concept every year.

In line with the expectations and demands of consumers in terms of cultural sustainability, the region that encompasses many excavation sites in Şanlıurfa such as Göbeklitepe and Karahantepe, one of the most important archeological sites in the world, was branded as “Taş Tepeler - Land of Great Transformation” to raise awareness and emphasize the importance of the region.

The pandemic process has once again revealed the importance of digitalization and information technologies, especially in tourism, and made it one of the indispensable elements for the continuity of tourism. Within the scope of the goal of increasing market diversity, cooperation with global channels, which started in 2022, continues in 2025.

In 2020, there was a need to create a “sustainability inventory” in Turkish tourism, which could serve as a basis for sustainability studies by TGA and the Sustainability Atlas of Türkiye was prepared by Cappadocia University. Within the scope of this inventory, the Sustainability GoTürkiye (<https://sustainable.goturkiye.com/>) microsite was created under GoTürkiye, Türkiye's official tourism platform, and launched in September 2021. In 2025, more than 50 sustainable tourism experiences in 7 regions and 81 provinces under the GoTürkiye portal are promoted in 10 different languages with a focus on sustainability.

In order to increase the number of visitors to the country and to create alternative markets, in addition to main market countries such as Germany, Russia and the UK, promotional and marketing activities have been prioritized in Scandinavian countries, where tourism spending is steadily increasing and demand for sustainable tourism is notable, as well as in emerging markets such as South American countries, Gulf countries, South Korea and India. Border and flight situations caused by the global pandemic are regularly monitored for the country's main markets and emerging markets, and communication activities are focused on the main markets. In promotional activities for the country's main and emerging markets, target audience-oriented promotional strategies are developed; in addition to digital promotional campaigns, press members, influencers, opinion leaders and tour operators from target countries are hosted, and special events and activities are organized. Social media accounts for 81 provinces are available to promote each region of Türkiye.

Product and destination promotions are carried out in the provinces, taking into account the guidance of the Provincial Promotion and Development Boards established to spread tourism to all 81 provinces of Türkiye and to implement sustainable tourism activities in destinations. With the development of Turkish tourism and raising awareness in overseas markets, joint advertising activities are organized with local tour operators and airline

companies in many countries, where the advantage of quickly directing to hot sales is used, and these plans are developed according to the reports received at the end of the campaign.

GoTürkiye Destination Promotion Events are organized to support Türkiye's promotion by bringing together Turkish travel agencies and hotels with companies in target markets. These events provide opportunities for collaboration while highlighting potential destinations. The events held in 14 countries and 23 cities were participated in 2025.

Within the scope of efforts to increase product diversity in Türkiye's tourism promotion and to extend the tourism season to twelve months, health tourism has emerged as one of the most valuable areas. In health tourism, protecting the health of tourists who come to Türkiye for vacation purposes, in addition to those who arrive to receive medical services, has been of high importance. In this context, it is aimed to increase tourist satisfaction and preference for Türkiye by providing greater assurance for the health of tourists traveling for tourism purposes.

Thanks to its robust healthcare infrastructure, well-trained and experienced personnel, and high-standard facilities, Türkiye is one of the most preferred healthcare destinations in the world. The fact that the number of people visiting the country for medical tourism purposes exceeded 1.5 million in 2024, generating over 3 billion dollars in revenue, and this demonstrates Türkiye's significant potential for the future.

The online training platform "All in Türkiye Specialist" was designed for international travel agencies, tour operators, and offers tourism professionals the most up-to-date and relevant information on Türkiye's destinations and tourism experiences, allowing them to promote Türkiye successfully and effectively. Participants who successfully complete the courses that are offered on the platform are granted the "Türkiye Tourism Specialist" certificate. Currently available in 14 languages, the platform plans to introduce additional language options by 2026.

In 2025, in line with the goal of expanding global networks, establishing and maintaining international collaborations, and implementing mutually beneficial projects through active communication with other members, Türkiye has become a member of 25 international associations such as including the World Travel & Tourism Council (WTTC), European Travel Commission (ETC), UN Tourism and the Global Sustainable Tourism Council (GSTC).

Since 2018, the Ministry of Culture and Tourism has been a Party to the Enlarged Partial Agreement (EPA) on the Cultural Routes of the Council of Europe. Form this date onwards, the Ministry of Culture and Tourism actively work on the Cultural Routes of the Council of Europe program. Between May 2021 and 2025, it was served as Vice-Chair and Chair of the Governing Board of the Cultural Routes of the Council of Europe.

Under the Provincial Promotion and Development Program in 81 provinces, the interest and participation of local stakeholders have been ensured to the Cultural Routes of the Council of Europe. In this context, the number of routes in Türkiye that are part of the Council of Europe Cultural Routes network has increased from 4 in 2018 to 11 in 2025. Türkiye has thus become one of the key countries within the Council of Europe Cultural Routes network. The number of participating provinces and institutions has also risen from 4 to 25. Moreover, on 22-24 October

2025, the 14<sup>th</sup> Annual Advisory Forum of the Council of Europe Cultural Routes was held in Cappadocia in cooperation with the Council of Europe, with the participation of 320 experts and professionals from the cultural heritage and tourism sectors. The Forum enhanced Türkiye's international visibility and strengthened its role in the protection and promotion of cultural heritage within a sustainable approach.

By the end of 2024, participation was ensured with a Türkiye pavilion in a total of 33 international tourism trade fairs, including 27 fairs in 24 countries abroad and 6 fairs domestically. Together with 434 tourism sector professional organizations participating in major fairs abroad, Türkiye's tourism promotion is being carried out effectively. In 2025, participation was ensured with a Türkiye pavilion at a total of 28 international specialized tourism fairs, 22 fairs held in 20 countries abroad and 6 held domestically. Through participation in major international fairs abroad with a national pavilion, the promotion of Türkiye's tourism was carried out effectively in cooperation with 496 tourism sector professional organizations.

In order to strengthen the promotion of Türkiye both domestically and internationally, various activities have been hosted, supported, and participated in within the field of congress tourism. Comprehensive initiatives such as fairs, fam trip organizations, digital and printed publications, and international events have been carried out. These efforts have been conducted with the aim of diversifying tourism and enhancing Türkiye's promotion on the global stage. Under the MEET Türkiye brand strategy, lobbying activities at international congress tourism events and fairs have effectively promoted Türkiye's destinations and tourism offerings. Collaborating with international industry leaders and organizers, the goal is to position Türkiye as an attractive congress destination.

According to the 2023 global congress rankings of countries and cities released by ICCA—the International Congress and Convention Association, for which Türkiye has been a destination partner since 2022, Türkiye maintained its position in the world and European rankings compared to 2022. Meanwhile, İstanbul showed an upward trend in both world and European rankings. Globally, 9,042 congresses were held in 2022, this number was reported to be 10,197 in 2023. Compared to 2022 congress numbers, Türkiye hosted 119 congresses in 2023, reflecting a 45 percent increase, while Istanbul hosted 72 congresses, marking a 24 percent increase. Additionally, according to ICCA 2024 data, Türkiye ranks 31st worldwide with 119 international congresses, İstanbul with 86 congresses has risen to 20th place among global cities and 15th among European cities. In addition, İstanbul has been ranked as the 8th best city in the field of medical sciences.

To promote Türkiye's tourism destinations and products, international conferences are brought to the country, and industry representatives are hosted as part of our efforts to enhance Türkiye's visibility through promotional and lobbying activities. In this regard, sustainable event management is prioritized in all events organized, ensuring that sustainability principles are integrated throughout the entire lifecycle of the event—from planning to execution.

Within the scope of the Türkiye Environmental and Cultural Sustainability Program, event management is carried out in line with sustainability criteria. Environmental, socio-economic, and cultural sustainability practices are implemented at every stage of the event

lifecycle. In this context, the use of FSC-certified or seed-embedded materials, reduction of plastic consumption, ensuring balance between women and men among staff, offering geographically indicated food and beverages, preparing menus with QR codes, selecting low-carbon footprint menu options, sourcing sustainable products, showcasing cultural heritage, and promoting and protecting cultural sites are among the key priorities.

In 2022, advertising agreements were established globally with the most recognized Online Travel Agencies (OTAs), metasearch platforms, Price Comparison Websites (PCWs), and Global Distribution Systems (GDS). Budget allocation was planned according to the countries and regions where these companies are strongest, taking into account our target markets and tourism objectives. In 2024, additional agreements were made with digital travel channels. For the first time, agreements were signed in the Asia Pacific region, alongside existing collaborations in Europe, the Americas, Scandinavia, and the Gulf regions. As a result, by 2024, promotional campaigns were conducted across 15 platforms in 30 countries. In 2025, partnerships with digital travel channels continued, and promotional campaigns were carried out across 31 countries with 16 platforms in Europe, the Americas, Scandinavia, the Gulf, and the Asia Pacific regions.

To promote Türkiye globally, collaborative advertising partnerships are being implemented with tour operators to increase awareness of Türkiye as a destination and highlight its diverse tourism offerings. As part of this effort, 182 campaigns were carried out in collaboration with 95 tour operators across 39 countries by 2024. Since 2019, Ministry of Culture and Tourism initiated a study to improve Türkiye's current position and data sources in the Travel and Tourism Development Index published by the World Economic Forum (WEF). In this process, the necessary corrections to the index methodology and data sources were made in consultation with relevant non-governmental organizations and ministries. In the first version of this index prepared with 2019 data, Türkiye's ranking was 49, while in the version prepared with 2024 data, Türkiye's ranking increased to 29. A total of 199 campaigns were carried out in 2025 in collaboration with 152 tour operators across 34 countries.

As part of the gastronomy tourism promotion efforts, and within the scope of the destination partnership agreement with the international restaurant rating system Michelin Guide, the Michelin Guide Türkiye 2026 restaurant selection was announced at a ceremony held on 4 December 2025. The Cappadocia region was also included in the 2026 selection. The 2026 selection was enriched with 54 new addresses, and the total number of recommended venues in Türkiye reached 171, with 89 in İstanbul, 32 in İzmir, 32 in Muğla and 18 in Cappadocia.

**i. Activities planned in 2026:**

**Activities Related to Türkiye Environmental and Cultural Sustainability Program**

- All accommodation facilities will be required to obtain at least the Stage 2 Verification of the Türkiye Environmental and Cultural Sustainability Program, and efforts will be made to increase the number of facilities achieving the Stage 3 Certificate through training and promotional activities.

- Ensuring infrastructure improvements in line with environmental sustainability principles, increasing the number of green-certified facilities, and promoting environmentally friendly practices.
- As a module of the Türkiye Environmental and Cultural Sustainability Program, initiatives will be conducted to position the food and beverage sector internationally by providing expert teams and technical support to the GSTC for the development of international food and beverages service providers' standards.
- To expand the scope of the Türkiye Environmental and Cultural Sustainability Program, activities will be carried out in categories such as destinations, tour operators, travel agencies, and MICE through consultancy support. Operational processes will be facilitated through training, software and digital product development, capacity building, legal consultancy, call and operations center services, collaboration, and promotional activities.
- To improve Türkiye's ranking in international sustainability competitiveness indices, collaborative and academic studies will be undertaken with relevant institutions and stakeholders.
- To promote sustainability labels and certifications, certification and promotional activities will be implemented for sustainable museums and cultural centers.
- In order to raise awareness on the climate-resilient designation and spatial planning process, capacity-building trainings and regulatory studies will be conducted in selected provinces.

#### **Activities Related to Promotion**

- Producing 81 new provincial films, creating content management and plans for 81 province's social media accounts, carrying out project-based paid social media advertisements, for social media accounts, continuation of domestic tourism activities by hosting 300 local social media influencers in 100 projects in 81 provinces, continuing brochure studies, working on all promotional materials for the needs of the provinces.
- Keeping sustainability in focus in every aspect of the brand development process and brand communication campaigns.
- Exploring new and alternative platforms for more effective and targeted brand communication to attract potential tourists belonging to the high-income group.
- Within the agreements with global channels, it is planned to continue the number of spots at least 5,000, digital screenings at least 15,000,000 and TV/digital promotional films at least 3 throughout the year. Additionally, in print media, planning will focus on the international markets, selecting the most prestigious and the highest-circulation media outlets with a frequency of at least 3 placements.
- Based on tourism goals and the campaign outcome reports provided by the companies, the digital travel channel campaigns and joint advertising investments with tour operators for 2026 will be revised.
- Positioning Türkiye as a suitable destination for filming and production of movies, documentaries, TV series and music videos through collaborations with globally accessible content producers and, through these productions, influencing new

groups of travelers and positioning Türkiye as a must-visit country with a focus on sustainability.

- Participation will have been ensured with a Türkiye pavilion in a total of 23 international tourism trade fairs, including 17 fairs in 15 countries abroad and 6 fairs domestically.
- As a part of the GoTürkiye Destination promotion events, the aim is to bring together Turkish agencies and hotels with business partners in target markets, creating new cooperation opportunities and supporting the ongoing promotion of potential destinations.

### **Activities Related to Product and Destination Development**

- Focusing on the principle of sustainability within the framework of the Provincial Promotion and Development Program, a total of 324 Provincial Promotion and Development Board meetings will be held with at least 4 meetings in each of the 81 cities.
- Developing and promoting the products on the GoTürkiye digital platform focusing on the principle of sustainability.
- The number of road bicycle, mountain bike and electric bicycle routes introduced on the [gocyclingturkiye.com](http://gocyclingturkiye.com) platform will be increased to 3,000 and the bicycle network will be spread throughout Türkiye. In parallel to this study, carrying out various promotional activities to increase the number of facilities certified as bicycle-friendly hotels to 800 by 2026.
- Undertaking initiatives to ensure that Türkiye is recognized as a global destination for meetings and events by 2026.
- Within the scope of establishing a “Sustainable Green Destination Model,” transforming Birgi Village as a pilot destination into the Sustainable Energy-Based Tourism Implementation Center (SENTRUM) project in order to promote sustainable tourism and support local economic development.
- Providing vocational training to approximately 4,100 people within the scope of vocational on-the-job training programs.
- Continuing efforts to increase the number of Blue Flag facilities and raising the number of Blue Flag beaches to 617.
- In order to mitigate the impacts of climate change on the tourism sector and increase the adaptation capacity of the sector, it is aimed to carry out climate compatible spatial planning studies and prepare adaptation guides in selected case study areas (coastal and winter tourism centers).
- Reaching 50,000 tourism-purpose rental housing permit certificates in order to ensure that residences rented on a short-term basis for tourism, an important component of accommodation activities, are registered and brought under supervision, to prevent informality, and to improve service standards.
- Continuing the celebration of Turkish Cuisine Week, maintaining efforts to expand the Michelin Guide across the entire country, and implementing cooperation projects with domestic and international brands in order to develop gastronomic products and strengthen their promotion.

- It is planned to strengthen brand value in target markets for thermal and health tourism through digital promotion activities, partnerships, and special campaigns; to develop regional sub-brands in thermal tourism; to increase sectoral promotion aimed at international stakeholders through participation in events, congresses, and trade fairs; and to develop multi-themed tourism products at thermal destinations that integrate complementary experiences such as culture, gastronomy, nature, and sports.

Within the scope of the activities planned in 2026, the Ministry of Culture and Tourism (relevant units, especially the TGA), other relevant public institutions and organizations, NGOs, municipalities, academia and sector representatives will be responsibly included in the process.

## **ii. Activities planned in 2027:**

### **Activities Related to Türkiye Environmental and Cultural Sustainability Program**

- Efforts will continue to increase the number of facilities achieving the Stage 3 Certificate through training and promotional activities.
- As a module of the Türkiye Environmental and Cultural Sustainability Program, initiatives will be conducted to position the food and beverage sector internationally by providing expert teams and technical support to the GSTC for the development of international standards.
- To expand the scope of the Türkiye Environmental and Cultural Sustainability Program, activities will be carried out in categories such as destinations, tour operators, travel agencies, and MICE through consultancy support. Operational processes will be facilitated through training, software and digital product development, capacity building, legal consultancy, call and operations center services, collaboration, and promotional activities.
- To improve Türkiye's ranking in international sustainability competitiveness indices, collaborative and academic studies will be undertaken with relevant institutions and stakeholders.
- To promote sustainability labels and certifications, certification and promotional activities will be carried out for sustainable museums and cultural centers.
- It is planned to continue studying the legislation related to the climate-resilient planning and spatial planning process.

### **Activities Related to Promotion**

- It is planned to continue to explore new, trendy and alternative platforms for effective and targeted brand communication to attract the attention of potential high-end tourists, in order to adopt a sustainability-focused approach in all aspects of the sustainability brand development process and brand communication campaigns.
- Within the agreements with global channels, it is planned to continue the number of spots at least 7,000, digital screenings at least 20,000,000 and TV/digital promotional films at least 4 throughout the year. Additionally, in print media,

planning will focus on the international markets, selecting the most prestigious and high-circulation outlets with a frequency of at least 3 placements.

- Positioning Türkiye as a suitable destination for filming and production of movies, documentaries, TV series and music videos through collaborations with content producers with global reach and, through these productions, influencing new groups of travelers and positioning Türkiye as a must-visit country with a focus on sustainability.
- Studies on creating high-performance, desirable brands that maximize interest and developing potential new advertising campaigns for these brands in order to observe demand and trends in sustainable tourism by regularly monitoring demand and perception on social and digital platforms for target countries and tourist segments,
- Focusing on the principle of sustainability within the framework of the Provincial Promotion and Development Program; producing 81 new provincial films, creating content management and plans for social media accounts, making project-based paid social media advertisements for 81 cities, continuing domestic tourism activities will also be actively continued in 81 cities 75 projects with 400 local influencers, continuing brochure studies, and carrying out studies on all promotional materials for the needs of the provinces.
- Based on tourism goals and the campaign outcome reports provided by the companies, the digital travel channel campaigns and joint advertising investments with tour operators for 2027 will be revised.
- The participation is planned to be ensured with a Türkiye pavilion in a total of 23 international tourism trade fairs, including 17 fairs in 15 countries abroad and 6 fairs domestically.
- GoTürkiye Destination promotion events aim to continue bringing Turkish agencies and hotels together with business partners in target markets, creating new cooperation opportunities and supporting the ongoing promotion of potential destinations.

### **Activities Related to Product and Destination Development**

- Spreading tourism beyond the off-season periods covering 81 provinces by offering experiences tailored to groups with special interests such as faith, health, sports, and gastronomy during their travels.
- With focusing on the principle of sustainability within the framework of the Provincial Promotion and Development Program, to carry on organizing 405 Provincial Promotion and Development Board meetings, at least 5 in each of 81 provinces.
- Providing vocational training to approximately 4,200 people within the scope of vocational on-the-job training programs.
- Reviewing existing frameworks and approaches in the sector to accelerate the green transition, and taking into account climate-resilient spatial development principles, water usage and energy consumption in planned areas.
- Continuing efforts to increase the number of Blue Flag facilities and raising the number of Blue Flag beaches to 639.

- Reaching 55,000 tourism-purpose rental housing permit certificates in order to ensure that residences rented on a short-term basis for tourism, an important component of accommodation activities, are registered and brought under supervision, to prevent informality, and to improve service standards.

Within the scope of the activities planned in 2027, the Ministry of Culture and Tourism (relevant units, especially the TGA), other relevant public institutions and organizations, NGOs, municipalities, academia, sector representatives will be included in the process as responsible.

**iii. Activities planned in 2028:**

**Activities Related to Türkiye Environmental and Cultural Sustainability Program**

- Efforts will continue to increase the number of facilities achieving the Stage 3 Certificate through training and promotional activities.
- As a module of the Türkiye Environmental and Cultural Sustainability Program, initiatives will be conducted to position the food and beverage sector internationally by providing expert teams and technical support to the GSTC for the development of international restaurant standards.
- For the design and implementation of certification processes tailored to the food and beverage sector as a module of the Türkiye Environmental and Cultural Sustainability Program, consultancy support will be utilized. To execute operational processes, efforts will include training, capacity building, software and digital product development, legal consultancy, call and operations center services, collaboration, and promotional activities.
- To expand the scope of the Türkiye Environmental and Cultural Sustainability Program, activities will be carried out in categories such as destinations, tour operators, travel agencies, and MICE through consultancy support. Operational processes will be facilitated through training, software and digital product development, capacity building, legal consultancy, call and operations center services, collaboration, and promotional activities.
- To improve Türkiye's ranking in international sustainability competitiveness indices, collaborative and academic studies will be undertaken with relevant institutions and stakeholders.
- To promote sustainability labels and certifications, certification and promotional activities will be carried out for sustainable museums and cultural centers.
- Continuation of the studies on preparation of a regulatory framework for the climate-resilient designation and spatial planning process.

**Activities Related to Promotion**

- For tourists in the potential high-income segment, new and alternative platforms shall be identified and utilized for effective and target-oriented brand communication, while maintaining a sustainability-focused approach in all ongoing campaigns.
- Within the agreements with global channels, it is planned to continue the number of spots at least 7,000, digital screenings at least 20,000,000 and TV/digital

promotional films at least 4 throughout the year. Additionally, in print media, planning will focus on the international markets, selecting the most prestigious and high-circulation outlets with a frequency of at least 3 placements.

- Conducting comprehensive promotional activities on TV/digital broadcast channels, in line with effective and high-intensity communication strategies in the target markets.
- Positioning Türkiye as a suitable destination for filming and production of movies, documentaries, TV series and music videos through collaborations with content producers with global reach and, through these productions, influencing new groups of travelers and positioning Türkiye as a must-visit country with a focus on sustainability,
- Studies on creating high-performance, desirable brands that maximize interest and developing potential new advertising campaigns for these brands in order to observe demand and trends in sustainable tourism by regularly monitoring demand and perception on social and digital platforms for target countries and tourist segments,
- Focusing on the principle of sustainability within the framework of the Provincial Promotion and Development Program; producing 20 new provincial films, creating content management and plans for social media accounts, making project-based paid social media advertisements for 81 cities, continuing domestic tourism activities will also be actively continued in 81 cities 75 projects with 400 local influencers, continuing brochure studies, and carrying out studies on all promotional materials for the needs of the provinces.
- Based on tourism goals and the campaign outcome reports provided by the companies, the digital travel channel campaigns and joint advertising investments with tour operators for 2028 will be revised.
- The participation is planned to be ensured with a Türkiye pavilion in a total of 23 international tourism trade fairs, including 17 fairs in 15 countries abroad and 6 fairs domestically.
- GoTürkiye Destination promotion events aim to continue bringing Turkish agencies and hotels together with business partners in target markets, creating new cooperation opportunities and supporting the ongoing promotion of potential destinations.

### **Activities Related to Product and Destination Development**

- Spreading tourism beyond the off-season periods covering 81 provinces by offering experiences tailored to groups with special interests such as faith, health, sports, and gastronomy during their travels.
- With focusing on the principle of sustainability within the framework of the Provincial Promotion and Development Program, to carry on organizing 486 Provincial Promotion and Development Board meetings, at least 6 in each of 81 provinces.
- Providing vocational training to approximately 4,300 people within the scope of vocational on-the-job training programs.

- Reviewing existing frameworks and approaches in the sector to accelerate the green transition, and taking into account climate-resilient spatial development principles, water usage and energy consumption in planned areas.
- Continuing efforts to increase the number of Blue Flag facilities and raising the number of Blue Flag beaches to 650.
- Reaching 60,000 tourism-purpose rental housing permit certificates in order to ensure that residences rented on a short-term basis for tourism, an important component of accommodation activities, are registered and brought under supervision, to prevent informality, and to improve service standards.

Within the scope of the activities planned in 2028, the Ministry of Culture and Tourism (relevant units, especially the TGA), other relevant public institutions and organizations, NGOs, municipalities, academia, sector representatives will be included in the process as responsible.

## 2. Results indicators:

Indicator	Current Situation	2026	2027	2028
Number of facilities certified under the Sustainable Tourism Program	2,183	4,000	5,000	6,000
Number of interactions achieved for GoTürkiye accounts on digital channels related to Sustainable Tourism	38,238,526	44,846,143	48,962,444	52,879,440
Number of Blue Flag Beaches	577	617	639	650
The Completion rate of analyzes and spatial studies that will provide tourism development compatible with climate, revealing the relationship between tourism and climate change (%)	60	80	90	100
Tourism Income	50.0 Billion \$ (Jan-Sep. 2025)	68.0 Billion \$	71.0 Billion \$	75.0 Billion \$
Number of Tourist Arrivals in Türkiye	58.5 Million Persons (Jan-Nov. 2025)	66.0 Million Persons	68.5 Million Persons	71 Million Persons

**3. Expected impact on competitiveness:** By integrating sustainability criteria into tourism planning, branding, and certification processes, the reform enhances the perceived quality and reliability of Türkiye's tourism offerings, thereby increasing visitor demand and spending. Expanded product diversity—such as gastronomy, cycling, cultural routes, and climate-resilient destinations—helps attract new market segments and extend the tourism season beyond peak months. Strengthened international branding campaigns and collaboration with global travel platforms improve Türkiye's visibility and competitiveness, generating higher tourist inflows. As facilities adopt sustainability standards and climate-resilient planning expands, the sector becomes more stable, reducing vulnerability and supporting long-term investment and employment. In addition, this measure is expected to increase tourism revenues from the global tourism sector, increase the share of tourism revenues in gross national product,

make a positive contribution to the foreign trade balance, and contribute to the reduction of the current account deficit. The restructuring of the Türkiye brand aims to create a sustainable tourism economy by increasing Türkiye's competitiveness in the global tourism market.

Türkiye's Environmental and Cultural Sustainability Program is planned in three phases, aiming to initiate sustainability practices in all accommodation facilities, regardless of size, location and capacity. Scheduled to be completed by 2030, the first phase of the program took place in 2023, the second phase will take place in 2025 and the final phase in 2030, with the aim of meeting all international standards. In the first phase, accommodation facilities will comply with 30 percent of the standards set, in the second phase 70 percent, and in the third phase 100 percent, and by 2030 all facilities will be Environmental and Cultural Sustainability Certified. In this regard, the reform is expected to accelerate Türkiye's transition toward sustainable tourism, with 100 percent coverage of more than 22,000 accommodation facilities becoming sustainability-verified or certified by 2030, strengthening long-term competitiveness, brand value, and environmental resilience. The program is the first mandatory national hospitality program under the guidance of the GSTC and based on the GSTC Criteria. The pioneering program, thanks to the government agreement with the GSTC, is expected to serve as a model for other countries.

According to the World Economic Forum (WEF) Travel and Tourism Development Index 2024 report, Türkiye ranked 29th in 2024, rising 20 places compared to 2019. Thanks to the measures taken and promotions made after the pandemic, Turkish tourism is expected to perform better than other countries and rise in the competitiveness index.

Between 2018 and 2024, the total number of visitors to the country increased by 35.04 percent over a seven-year period, reaching 62.3 million people. In 2024, the total number of visitors to the country increased by 9.84 percent compared to the previous year. In the January-November period of 2025, the total number of visitors to the country increased by 1.95 percent compared to the same period of the previous year, reaching 58.5 million people. These data show that Türkiye continues to experience steady growth in total visitor flow.

The total number of foreign visitors to the country has increased by 33.3 percent over the past seven years, reaching 52.6 million visitors. In 2024, the number of foreign visitors to the country increased by 6.95 percent compared to the previous year. In the January-November period of 2025, the number of foreign visitors to the country increased by 0.03 percent compared to the same period of the previous year, reaching 50.06 million people. This shows that demand has remained largely stable.

Tourism revenue increased by 70.1 percent over the seven-year period between 2018 and 2024, reaching 61.1 billion dollars. Average spending per visitor increased by 23.5 percent during this period, rising to 972 dollars. Overnight revenue increased by 29.9 percent over the last seven years, rising to 97 dollars. Tourism revenue reached 50 billion dollars in the January-September period of 2025. During this period, the average expenditure per person was 1,006 dollars and the nightly revenue was 103 dollars. These developments reveal that Türkiye continues to experience a long-term upward trend in tourism revenue and visitor spending. Furthermore, tourism revenues, which amounted to 50 billion dollars in the January-September

period of 2025, are projected to rise to 68 billion dollars in 2026, 71 billion dollars in 2027, and 75 billion dollars in 2028. This will make a positive contribution to the current account balance.

Within the scope of the ongoing studies on the relationship between climate change and tourism, namely the projects “Climate-Resilient Spatial Plan Preparation for Culture and Tourism Conservation and Development Regions and Tourism Centers: The Case of Çanakkale Tourism Center” and “Preparation of the Climate-Resilient Designation and Spatial Planning Guideline for Culture and Tourism Conservation and Development Regions and Tourism Centers” as well as subsequent activities, the following impacts are expected:

**Short Term (1-3 years):**

- Climate risk analyses (such as temperature increase, forest fires, floods, and coastal erosion) will be conducted for all Tourism Centers and Culture and Tourism Conservation and Development Regions (CTCDRs), and climate-resilient spatial planning decisions will be developed.
- Through the guideline documents prepared under this scope, new tourism plans are expected to incorporate “climate sensitivity” criteria.

**Medium Term (3-7 years):**

- The integration of climate-sensitive planning approaches into local governance and investment processes is expected to result in savings in energy and water consumption.

**Long Term (7 years and beyond):**

- The tourism sector will become more resilient to disasters and climate risks by increasing its capacity to adapt to climate change.
- The long-term goal is to reduce greenhouse gas emissions.

Preparation of Climate-Resilient Spatial Plans for Cultural and Tourism Conservation and Development Zones and Tourism Centers within the Scope of Climate Change and Tourism Relations: The effects of the studies conducted within the framework of the “Çanakkale Tourism Center Example” and the “Preparation of a Climate-Resilient Declaration and Spatial Planning Guide for Cultural and Tourism Protection and Development Regions and Tourism Centers” are becoming apparent in tourism areas in terms of a clearer understanding of climate risks and the shaping of plans accordingly. The effects expected to be seen in the long term are: regions becoming more resilient to climate change, the protection of the tourism season, and the strengthening of infrastructure investments in line with climate adaptation.

As part of the Blue Flag initiative, in 2018, 459 beaches, 22 marinas, and 10 yachts in the country were awarded the Blue Flag. By 2025, 577 beaches, 29 marinas, 8 individual yachts, and 18 tourist boats in the country have been awarded the Blue Flag, making the country third in the world in terms of the number of beaches. Accommodation statistics for provinces with Blue Flag beaches in the country, including facility entry and overnight stay figures, were compared with the total for all of Türkiye, and according to this data, the share of Blue Flag provinces in the total number of arrivals at facilities in Türkiye was 75.2 percent in 2022, 75.1 percent in 2023, and 75.5 percent in 2024. Similarly, looking at the overnight stays, the share of the total number of overnight stays in Blue Flag provinces within all provinces was 83.9

percent in 2022, 83.4 percent in 2023, and 83.5 percent in 2024. These data show that Blue Flag applications have created a stable attraction in regions with high tourist traffic and that these provinces continue to have a decisive share in Türkiye's overall accommodation performance. When the increase in Blue Flag beaches is evaluated in terms of tourist preferences and destination choices in the long term, it is expected that compliance with environmental criteria will strengthen the regional tourism brand and fostering competitiveness in the global tourism market and Blue Flag applications will become increasingly dynamic.

In order to improve service quality by developing the professional knowledge and skills of personnel working in accommodation and food and beverage establishments, comprehensive vocational tourism training activities continue to increase. Between 2018 and 2025, 20,152 sector employees were certified under the training programs that were organized. These data show that service quality in tourism is steadily improving through staff training.

#### **4. Estimated cost of the activities and the source of financing:**

**2026:** 7,517,130,206 TL - 138,453,277 euros (Central Budget + TGA Budget)

**2027:** 8,539,717,866 TL - 144,524,518 euros (Central Budget + TGA Budget)

**2028:** 9,563,160,850 TL - 152,623,543 euros (Central Budget + TGA Budget)

Between 2026 and 2028, in line with the objective of mitigating the impacts of climate change on the tourism sector and increasing the adaptation capacity of the sector the following activities are covered by the budget of the General Directorate of Investments and Enterprises in the Ministry of Culture and Tourism.

- In 2025 and 2026, the works of producing risk maps, conducting spatial planning studies compatible with climate change and preparing a climate adaptation guide will be completed in the pilot tourism regions to be selected. Since these works require expertise, the service procurement method will be used and the cost for 2025 and 2026 is 1 million 560.000 TL + VAT and 2 million TL, respectively.
- In 2027-2028, it is envisaged to complete the necessary legislative work that will form the basis for climate change compatible planning studies on the subject (circular and regulation work including the regulation of indications and technical requirements) and to work in coordination with central and local governments in order to spread climate change compatible tourism plans throughout the country. The estimated cost of these activities cannot be estimated at this stage.
- Under the protocol between the Ministry of Culture and Tourism and the Ministry of Health, funds are transferred annually from the Ministry of Culture and Tourism to the Ministry of Health for microbiological analysis of swimming water. Within this framework, 6,000,000 TL has been allocated for 2026, 6,750,000 TL for 2027 and 7,250,000 TL for 2028.

**5. Expected impact on social outcomes, such as employment, poverty reduction, equality between women and men and access to health care:** This measure will increase employment and thus contribute to reducing poverty. In addition, the tourism sector is expected to make a positive contribution to reducing discrimination against women as it offers

opportunities suitable for the employment of women. From a healthcare perspective, this measure is neutral.

As of 4 November 2025, a total of 534 people have participated in the trainings in 2025. It was decided to conduct operations and deliver the theoretical parts of training online through an online education platform belonging to the Ministry. Program purchase procedures have been completed, training content has been uploaded to the system, and the testing phase has begun. Following the activation of the online training platform, the aim is to make the prepared content available to users.

**6. Expected impact on environment and climate change:** The concept of sustainability has gained importance in the development of tourism products and consumer destination preferences. Emphasizing this concept in the promotional campaigns of the country will contribute positively to the planning and supply creation process of the tourism sector and will contribute to the reduction of environmental pressure caused by tourism.

As a contribution to the green transition process, tourism investments are expected to be planned taking into account environmental performance indicators (use of renewable energy, carbon neutrality, waste management). On the other hand, the Blue Flag Program carried out by TÜRÇEV with the support of Ministry of Culture and Tourism, the Ministry of Environment, Urbanization and Climate Change and the Ministry of Health aims to protect and use seas in a clean and sustainable way without damaging their ecosystem. Türkiye is currently ranked third in the world with 577 blue flag beaches. In addition, in order to eliminate polluting elements that will directly affect the quality of urban infrastructure, especially the swimming water, in coastal areas, the Ministry of Culture and Tourism carries out studies to ensure that infrastructure facilities such as wastewater treatment plant, deep sea discharge, sewage network and collector lines are completed immediately and sea water quality complies with the EU criteria.

## 7. Potential risks:

Risk	Probability	Planned mitigating action
Geopolitical developments and possible natural disasters	Medium	Preparation of Contingency Plans to be prepared for possible crisis
Difficulties that may be experienced in accessing the financing needed for investments that accommodation facilities need to realize in order to obtain certification	Medium	Reducing risks through loan mechanisms to be implemented in agreement with the relevant financial institutions
Decrease in airline traffic, border closures due to unforeseen pandemics	Medium	Expanding the scope of the Safe Tourism Certification Program to be valid for other unforeseen or infectious diseases, and making it permanent

## **v. Research, Development and Innovation**

### **a) Analysis of main obstacles**

Recently, it has been observed that issues such as resilience to environmental and technological risks, sustainability, social inclusion and competitiveness address the country's science, technology and innovation policies. The importance of people-oriented and collaborative policies and activities that increase the capacity to develop high value-added products and services, produce solutions to social challenges, especially by focusing on green and digital transformation, has increased. In this context, studies are ongoing to develop qualified R&D human resources in priority sectors and areas in order to adapt to green and digital transformation, to increase the organization and innovation capabilities of the private sector for this transformation, and to establish effective mechanisms and alternative sources for the financing of R&D and innovation.

R&D and innovation activities in Türkiye have increased in recent years, and the ratio of R&D expenditures to GDP realized at 1.46 percent in 2024. However, the need to increase and develop R&D and innovation activities in line with global developments and country priorities, to allocate more resources to R&D and innovation activities by both the public and private sectors, and to increase the number and quality of R&D labor force continues. In this direction, steps are being taken to increase the effectiveness of R&D and innovation activities carried out at universities and research infrastructures in the R&D and innovation ecosystem in order to support high value-added production. An important development initiated in recent years is the research university application and 23 universities have been designated as research universities. Within the framework of the Law No. 6550 on Supporting Research Infrastructures, which is one of the studies aimed at strengthening the R&D capacities of research infrastructures, 12 research infrastructures are supported and the process of monitoring the performances of these infrastructures continues.

## **5.2. Sustainability and Resilience**

### **i. Green Transition**

#### **a) Analysis of main obstacles**

Deepening environmental challenges at the global level necessitate the reconsideration of economic development policies from the perspective of environmental sustainability. Climate change, biodiversity loss, and environmental pollution—defined by the United Nations as the “triple planetary crisis”—have direct and indirect impacts on countries’ economic and social development processes. In this context, it is of critical importance to develop policy approaches that take environmental risks into account, prioritize the efficient use of resources, and are aligned with long-term development objectives.

At the international level, the main framework in this field was established by the conventions adopted in 1992, collectively referred to as the “Three Rio Conventions,” namely the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, and the United Nations Convention to Combat Desertification. These conventions aim to ensure sustainable development by addressing climate change, conserving biological diversity, and preventing land degradation.

Within this framework, the green transition has emerged as a fundamental policy approach responding to the triple planetary crisis and the objectives of the Three Rio Conventions. Preventing pollution at source, increasing energy and resource efficiency, expanding the use of renewable energy sources, promoting circular economy practices, and enhancing sustainable environmental practices contribute to reducing pollution and combating climate change, while also serving the conservation of biodiversity and the prevention of land degradation. In this respect, the green transition is considered one of the core components of economic transition, in addition to environmental sustainability.

Türkiye’s accession to the Paris Agreement and the announcement of its 2053 net zero emissions target constitute a significant milestone in integrating the green transition into national development policies. Türkiye’s accession to the Paris Agreement and the announcement of its 2053 net zero emissions target constitute an important milestone in terms of integrating the green transition into national development policies. These steps in Türkiye’s green transition process, together with Türkiye’s forthcoming hosting of United Nations Framework Convention on Climate Change 31st Conference of the Parties (COP31), further strengthen the country’s role in the international climate agenda. The enactment of the Climate Law and, in particular, the efforts to prepare secondary legislation stand out as key components of the green transition process. Through the Carbon Advisory Board established under the Climate Law, the private sector is enabled to actively participate in the preparation of secondary legislation, thereby fostering an inclusive and implementation-oriented approach to policy design.

Accordingly, the transition to a low-carbon, resource-efficient, and highly competitive economic structure is targeted across all sectors, particularly energy, industry, transport, agriculture, and urban development. To achieve sustainable and robust growth dynamics, it is crucial to support the necessary technology and infrastructure investments, particularly in the

energy, manufacturing, transportation, and agriculture sectors, in line with the 2053 net zero emission target and to develop green and digital skills as well as to enhance financing and incentive mechanisms.

In this context, green taxonomy establishes a common, transparent, and measurable set of criteria for defining which economic activities can be considered environmentally sustainable, thereby providing a comprehensive reference framework for both public policymaking and financial decision-making. Certification systems based on green taxonomy render the environmental performance of industrial enterprises tangible, comparable, and verifiable; moreover, low-cost financing opportunities, incentives, and support mechanisms provided on the basis of such certifications contribute significantly to reducing the high upfront costs associated with the transition to green technologies.

In the context of Türkiye's 2053 Net Zero Emissions target and the need to safeguard competitiveness in international trade, ensuring the effective and cost-efficient reduction of greenhouse gas emissions has become essential. The absence of a market-based mechanism to steer emission reductions in emission-intensive sectors limits the full utilisation of low-cost abatement opportunities and complicates the ability of industry to adapt to the transition within a predictable and gradual policy framework. In this regard, the implementation of an emissions trading system based on monitoring, reporting and verification is important for effectively supporting the green transition process.

### **b) Reform measures**

#### **Measure 3: “Accelerating green transformation”**

**1. Description of measure:** Türkiye has enacted the Climate Law No. 7552, published in the Official Gazette No. 32951 dated 9 July 2025, as part of its efforts to accelerate the green transition and combat climate change, and work is ongoing to establish the CBAM aligned Turkish Emissions Trading System (TR ETS). This system is positioned as one of the most important mitigation tools. Furthermore, as stated in the Green Deal Action Plan, the National Green Taxonomy, is being developed in line with the European Union Taxonomy and it will support efforts to ensure that the financial resources needed to achieve a green transformation are allocated to green investments. Finally, with the establishment of the Green Transformation Certification System in Industry, industrial facilities that engage in clean production are enabled to access financial facilitation mechanisms more easily.

#### ***Activity 1: Establishment of the Turkish Emission Trading System***

The Climate Law has established the legal basis for the establishment of the TR ETS. Through the TR ETS, market-based mechanisms aimed at reducing greenhouse gas emissions will be implemented. The process is being carried out under the responsibility of the Directorate of Climate Change in close cooperation with relevant stakeholders. Decisions regarding the core design framework of the TR ETS are being taken by the Carbon Market Board, and technical work related to the establishment and operation of the ETS market is being carried out in cooperation with the relevant institutions.

Under the IPA-funded project on the transposition of the EU ETS Directive, the EU ETS legislation will be analysed, draft regulatory instruments will be prepared, and sector-specific

economic impact assessments will be conducted. Capacity-building activities for an EU-aligned national ETS will also be among the outputs of the project.

### ***Activity 2: Preparation of Turkish Green Taxonomy***

Within the scope of the Climate Law, national taxonomy legislation is being prepared to define the criteria that an economic activity must meet in order to be considered sustainable. Taxonomy is a classification system that translates climate and environmental objectives into criteria for specific economic activities for investment purposes.

The taxonomy establishes a list of environmentally sustainable economic activities, thus indicating to companies, investors and policy makers which economic activities are environmentally sustainable. The taxonomy is intended to be a tool that reassures investors, protects private investors from greenwashing, and supports companies to direct their investments to the areas of greatest need.

A regulation on the Türkiye Green Taxonomy, which classifies the sustainability of investments and integrates financial flows into green investments, will be introduced. The Türkiye Green Taxonomy consists of six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Within the scope of the taxonomy, it is planned to publish technical screening criteria for 141 economic activities under 18 sectors in the first phase. The regulation is planned to enter into force in 2026, and mandatory reporting requirements for financial institutions will be introduced starting from 2028.

### ***Activity 3: Establishing a Green Transition Certification System for industry to facilitate easy access to financial mechanisms for industrial facilities that engage in clean production***

With the Regulation on the Management of Industrial Emissions, which was entered into force on 1 December 2025, the EU-aligned permitting procedures, including those related to the Waste Shipment Regulation and the documentation of cleaner production on product labels, and the requirements targeting emission reduction and zero pollution set out in the decarbonization and taxonomy regulations will be fulfilled, and the Green Transition in Industry (SYD) Certificate, which will be equivalent to the EU Integrated Pollution Prevention and Control (IPPC) Certificate, will facilitate easier access for industry to national and international credit funds for industry. Approximately 6,000 facilities operate in sectors falling within the scope of the Regulation, including energy, metals, minerals, chemicals, waste management, as well as textiles, automotive, leather, paper, food and livestock production.

The industrial facilities will be certified with the SYD Certificate, taking into account the technical, technological, and emission levels in these sectoral communiqués entered into force on 1 December 2025. Facilities demonstrating full compliance with the best available techniques (BAT) requirements will be issued a Category A SYD Certificate following a conformity assessment carried out by an accredited third-party verification body, while Categories B (90–99 points), C (80–89 points), D (70–79 points), E (60–69 points) and F (50–59 points) will be issued in accordance with the established scoring methodology.

New facility investments to be established in Türkiye shall be planned, constructed and commissioned at a minimum of Category D as of the date on which the Regulation enters into force. Industrial facilities that are in operation on the date of entry into force of this Regulation, or that have submitted an application under the environmental impact assessment legislation, shall be required to obtain, through a phased transition process, at least a Category F Green Transition in Industry Certificate by 31 December 2028 and at least a Category D Certificate by 31 December 2030.

In addition to the European Union and credit institutions, environmental performance criteria, which are also included in the certification systems related to energy and production models of our ministries such as the Ministry of Industry and Technology, the Ministry of Trade, and the Ministry of Energy and Natural Resources, will also be documented. In order to cover the investment costs arising from all these trade-related regulatory requirements, a new financial support initiative has been launched under the leadership of the Ministry of Environment, Urbanization and Climate Change within the framework of Türkiye's Emission Reduction Project, for which the Ministry serves as a steering committee member. Under this initiative, a five-year loan agreement was concluded in 2024 between the World Bank and the Development and Investment Bank of Türkiye, and, in accordance with this agreement, credit is being provided to industrialists holding a Green Transition in Industry Certificate. Starting in 2024, a five-year loan agreement for a total of 416 million dollars has been established for industrialists who hold the Green Transition Certificate, and applications are being accepted from industries listed in Annex I of the Regulation on the Management of Industrial Emissions. Applicants must demonstrate that the modernization or new production they are applying for financing has resulted in reductions of particulate matter, nitrogen dioxide, and greenhouse gases. The target of 70 million dollars projected for 2025 has been exceeded, and a total of 110 million euros in credit has been made available to the sectors within the scope of the Green Transition in Industry.

***Relationship of the measure with top policy documents/national strategic documents***

**As stated in the 12<sup>th</sup> Development Plan (2024-2028)**, policy and measures numbered 297, 317, 865 and 866 in line with these measures “865.4. Within the scope of the Green Deal Action Plan, sectoral road maps will be updated, monitoring and evaluation systems will be developed, and legislative studies will be carried out”, “866.1. Efforts will be carried out to disseminate the best existing environmental practices regarding sustainable consumption and production”, “297. In line with net zero emission targets, regulations will be implemented that will minimize the economic costs of combating climate change and ensure maximum benefit from the opportunities brought by digital transition and green transition”, “317. Sustainable, low emission, integrated and environmentally friendly policies with digital production techniques will be adopted, especially in the energy, transportation, industry and agriculture sectors, and the necessary regulations for green transition will be implemented in line with net zero emission targets”.

**The MTP (2026-2028)** includes a similar goal “Accelerating Green Transition: The green transition process will be accelerated through renewable energy investments, the development of domestic technological capacity, and sustainable financing instruments, and

will be supported by practices such as low-carbon production, resource efficiency, and the circular economy, particularly in the energy, transport, industry, and agriculture sectors”.

Additionally in **YOİKK** and **UDYS**, “Promoting the green transition in industry certificates and carrying out studies to support their use in public procurement” has been included.

**2026 Presidential Annual Program:** Activities under the policy “*Within the framework of the transition to a circular economy, sustainable production and consumption patterns will be implemented to ensure the efficient use of resources*”.

- A data-sharing infrastructure on Green Transition in Industry categories and environmental performance will be established to strengthen access to green financing.
- Sector-specific scoring matrices will be developed within the framework of the legislation issued under the Green Transformation in Industry.
- An algorithm for calculating the environmental performance of industrial facilities implementing clean and resource-efficient production will be determined and published within the scope of the Green Transition in Industry.
- A Green Transition in Industry Hub will be established by developing a portal that enables all stakeholders involved in the Green Transition in Industry process to communicate through a single integrated platform.
- The National Action Plan on Sustainable Consumption and Production will be prepared, and its monitoring will be ensured through a single software system incorporating data inputs from the relevant institutions.
- Activities aimed at raising awareness and enhancing capacity within the framework of Sustainable Consumption and Production will be carried out.
- Guidelines on environmental best practices for the seven sectors included in the National Action Plan on Sustainable Consumption and Production will be published.

Activities under the policy “*Green transition in the manufacturing industry will be supported, and circular and sustainable production practices will be enhanced*”.

- Applications for the Green Transition in Industry will be received from industrial facilities implementing clean and resource-efficient production, in accordance with the Regulation on the Management of Industrial Emissions.
- Work will be undertaken to enhance the Green Transition in Industry certification system through the integration of Artificial Intelligence.
- Activities will be carried out to prioritize the Green Transition in Industry Certificate in public procurement processes with the aim of improving access to green financing.
- A sector-specific expert pool will be established for experts taking part in the Green Transition in Industry process, and training and information activities will be organized.

## **i. Activities planned in 2026:**

### ***Activity 1: Establishment of the Turkish Emission Trading System***

- Launching the Pilot ETS phase
- Starting work on the harmonization of the Turkish ETS with the EU ETS by means of a project within the scope of the IPA program.
- Operating the ETSPYS (ETS Market Management System) platform, developed by EPIAŞ, in the test environment, and completing the security tests of the Transaction Registry System (İKS)
- Integrating the Emission Monitoring, Reporting and Verification (MRV) systems into the EPIAŞ's software infrastructure
- Completing the participant training programs and the online guidance for facilities to be included in the ETS
- Operating the İKS and executing the allocation processes, operating the primary and secondary markets as well as the financial procedures related to these markets

### ***Activity 2: Preparation of Turkish Green Taxonomy***

- In line with the feedback received from institutions and organizations on the Türkiye Green Taxonomy Regulation, the regulation will be revised.

### ***Activity 3: Establishing a Green Transition Certification System for industry to facilitate easy access to financial mechanisms for industrial facilities that engage in clean production***

- With the publication of the Regulation on the Management of Industrial Emissions, the certification software, which has begun receiving applications, will continue to accept and evaluate certificate applications.
- In accordance with the five-year loan agreement signed in 2024 between the World Bank and the Development and Investment Bank of Türkiye, under the Türkiye Emission Reduction Project for which the Ministry of Environment, Urbanization and Climate Change serves as a steering committee member, credit continues to be provided to industrialists holding a Green Transition in Industry Certificate.

## **ii. Activities planned in 2027:**

### ***Activity 1: Establishment of the Turkish Emission Trading System***

- Continuing the Pilot ETS phase
- Determining the benchmark values of 2026 and the execution of the compliance processes of the facilities
- Continuing of the participant training programs for facilities to be included in the ETS
- Operating the Transaction Registry System and executing the allocation processes, operating the primary and secondary markets as well as the financial procedures related to these markets

***Activity 2: Preparation of Turkish Green Taxonomy***

- Within the scope of the Türkiye Green Taxonomy Regulation, institutions and organizations will be informed regarding compliance reporting, and the necessary infrastructure will be established to provide related training.

***Activity 3: Establishing a Green Transition Certification System for industry to facilitate easy access to financial mechanisms for industrial facilities that engage in clean production.***

- With the publication of the Regulation on the Management of Industrial Emissions, the certification software, which has begun receiving applications, will continue to accept and evaluate certificate applications.
- Under Türkiye's Emission Reduction Project, pursuant to the five-year loan agreement signed in 2024 between the World Bank and the Development and Investment Bank of Türkiye, credit is being provided to industrial enterprises holding a Green Transformation Certificate.

**iii. Activities planned in 2028:**

***Activity 1: Establishment of the Turkish Emission Trading System***

- Ending the pilot period and starting the ETS 1st Implementation period
- Evaluating the impact of ETS application on sectors
- Continuing the operation of ETSPYS, launched by EPIAŞ during the pilot phase, with updated data during the implementation period
- Operating the Transaction Registry System and executing the allocation processes, operating the primary and secondary markets as well as the financial procedures related to these markets
- Determining ETS market related indicators and initiating the public disclosure of these indicators through the online portal

***Activity 2: Preparation of Turkish Green Taxonomy***

- In accordance with the Türkiye Green Taxonomy Regulation, mandatory reporting will be required from financial institutions.

***Activity 3: Establishing a Green Transition Certification System for industry to facilitate easy access to financial mechanisms for industrial facilities that engage in clean production***

- With the publication of the Regulation on the Management of Industrial Emissions, the certification software, which has begun receiving applications, will continue to accept and evaluate certificate applications.
- Under Türkiye's Emission Reduction Project, pursuant to the five-year loan agreement signed in 2024 between the World Bank and the Development and Investment Bank of Türkiye, credit is being provided to industrial enterprises holding a Green Transformation Certificate.

## 2. Result indicators:

Indicator	Current Situation	2026	2027	2028
<b><i>Activity 1: Establishment of the Turkish Emission Trading System</i></b>				
Publishing the regulatory legislation for the Turkish ETS	-	1	1	1
Operation of the ETS pilot period	-	1	1	-
Launch of ETS First Implementation Period	-	-	-	1
Development of the ETSPYS	-	1	-	-
<b><i>Activity 2: Preparation of Turkish Green Taxonomy</i></b>				
Entering into force Türkiye Green Taxonomy Regulation	-	1	-	-
Informing institutions about compliance reporting and establishing the training infrastructure related to reporting	-	-	1	-
Mandatory taxonomy compliance reporting by financial institutions	-	-	-	1
<b><i>Activity 3: Establishing a Green Transition Certification System for industry to facilitate easy access to financial mechanisms for industrial facilities that engage in clean production</i></b>				
Number of Green Transition Certificate Applications	-	100	200	500
Number of Green Transition Financial Support Applications	-	10	20	30
Financial Support Amount of Green Transition (million dollars)	-	290	200	200

## 3. Expected impact on competitiveness:

### ***Activity 1: Establishment of the Turkish Emission Trading System***

It is thought that the implementation of carbon pricing for the emission trading system in Türkiye will accelerate the green transformation process.

In this respect, the carbon pricing is considered to have a positive impact on the country's competitiveness, especially considering the impact of the EU CBAM on trade.

The study “The Potential Impact of the Carbon Border Adjustment Mechanism on the Turkish Economy”, conducted in cooperation with the European Bank for Reconstruction and Development, quantitatively assesses the competitiveness impacts of establishing a national emissions trading system (ETS) in Türkiye under alternative scenarios. These impacts are evaluated primarily in terms of potential cost savings. The analysis considers two carbon price levels, 75 euro/tCO<sub>2</sub>e and 150 euro/tCO<sub>2</sub>e. Under a continuation of the current policy framework, the application of a CBAM price of 75 euro/tCO<sub>2</sub>e by the European Union is estimated to impose annual costs of approximately 138 million euros on Turkish industry by 2027. Under a CBAM price of 150 euro/tCO<sub>2</sub>e, these annual costs are projected to increase to around 2.6 billion euros by 2032.

The findings indicate that the establishment of a national ETS in Türkiye could substantially reduce the costs arising from the implementation of CBAM. Specifically, the estimated cost of 138 million euros in 2027 could be reduced to 56 million euros, while the projected cost of 2,579 billion euros in 2032 could be reduced to approximately 1,079 billion euros. These results demonstrate that a domestic ETS would enable Türkiye to internalize a significant share of the CBAM-related cost burden and strategically channel the associated resources toward accelerating its low-carbon development pathway.

### ***Activity 2: Preparation of Turkish Green Taxonomy***

Through the disclosure and reporting to be made within the scope of the Türkiye Green Taxonomy, market actors will have easier access to financing provided by investors with environmental and social sensitivities. Thus, green investments will be encouraged and the development of environmentally friendly technologies and products will accelerate. This will create new business opportunities and increase competitiveness.

### ***Activity 3: Establishing a Green Transition Certification System for industry to facilitate easy access to financial mechanisms for industrial facilities that engage in clean production***

With the publication of the Industrial Emissions Management Regulation, a legal basis will be laid for the actions included in the measure to be carried out. In this respect, it is aimed to prevent and reduce emissions (in air, water, soil, noise environments) and waste originating from industrial facilities with high pollution by using the best techniques and technologies at their source.

In the green transition process, which aims at EU-compatible production, the production stages of the industry will be evaluated and scored according to the best available techniques. A Green Transition in Industry Certificate, which is valid nationally and internationally, facilitates access to green financing, and will be equivalent to the EU Certificate, will be issued to the facilities that receive the required minimum score, stating that they carry out environmentally friendly and sustainable production. It will be necessary to ensure technological transition in existing facilities that causes minimal damage to the environment and is based on the entire enterprise. It is aimed planning new investments in this direction during the design phase.

It will be shown that full compliance has been achieved in sectors such as iron and steel, scrap imports, batteries and fertilizers, which are mandatory to remain competitive within the framework of trade relations with the EU. With the green transition process, high-pollution sectors such as textile, chemistry and automotive will be added to these sectors, and certification of environmental production in trade will become increasingly mandatory for other sectors. Again, the “minimum damage to the environment” prerequisite of the EU taxonomy, which affects competition in trade and regulates access to green finance, will be met with this document. It is evaluated that sectors that are currently exporting and have a high level of compliance will be able to overcome the bottlenecks that may occur in trade with this document.

It is aimed to ensure that the country's industry does not fall behind in trade and competition and remains in the race by obtaining “green transition in industry certificates”,

which are indicators of environmentally sustainable production, which is a prerequisite for the loan and grant agreements provided to industrialists at the point of access to finance.

**4. Estimated cost of the activities and the source of financing:**

***Activity 1: Establishment of the Turkish Emission Trading System<sup>8</sup>***

**2026:** 120,642,000 TL – 2,222,029 euros (Other grants + IPA Fund)

76,874,000 TL (World Bank)

43,768,000 TL (IPA Fund)

**2027:** 135,537,000 TL - 2,293,802 euros (Other grants + IPA Fund)

69,885,000 TL (World Bank)

65,652,000 TL (IPA Fund)

**2028:** 105,335,000 TL – 1,681,097 euros (Other grants + IPA Fund)

60,567,000 TL (World Bank)

43,768,000 TL (IPA Fund)

***Aktivite 2: Preparation of Turkish Green Taxonomy***

**2026:** 78,782,000 TL – 1,451,036 euros (IPA Fund)

**2027:** 52,522,000 TL – 888,872 euros (IPA Fund)

**2028:** ---

***Activity 3: Establishing a Green Transition Certification System for industry to facilitate easy access to financial mechanisms for industrial facilities that engage in clean production***

**2026:** 13,511,671,732 TL - 290 million dollars (Project Loan)

It is anticipated that in 2026, there will be approximately twice as much credit opportunity compared to the previous period, assuming that the project announcement reaches a larger audience.

**2027:** 10,141,314,271 TL - 200 million dollars (Project Loan)

As the allocation of the 416 million dollars loan for 2027 has been successfully completed and the World Bank has notified that an additional 500 million dollars in financing will be provided, it is planned that the remaining portion will be allocated as additional credit for 2027 and 2028.

**2028:** 10,754,053,156 TL - 200 million dollars (Project Loan)

As the allocation of the 416 million dollars loan for 2028 has been successfully completed and the World Bank has announced that an additional 500 million dollars in financing will be provided, it is planned that the remaining portion will be allocated as additional credit in 2028.

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<sup>8</sup> The project implemented within the scope of the establishment of the Emissions Trading System Market and the Transaction Registry System under the Türkiye Emissions Trading System is being developed using EPİAŞ's internal resources.

**5. Expected impact on social outcomes, such as employment, poverty reduction, equality between women and men and access to health care:** With the green transition, there will be impacts on employment as new regulations include environmental regulations in trade in line with EU and world norms. If the regulations are implemented within the scope of the measure, the negative impact on employment will be minimized and it will even be possible to open new employment areas if domestic production technologies are introduced in the industry along with the green transition.

**6. Expected impact on environment and climate change:**

***Activity 1: Establishment of the Turkish Emission Trading System***

With the activation of the emission trading system, which is determined as a reduction tool in Türkiye's second nationally determined contribution, it is expected that policies for the market-based and cost-effective reduction of greenhouse gas emissions will be strengthened, and an important step will be taken in terms of contributing to the global fight against climate change.

***Activity 2: Preparation of Turkish Green Taxonomy***

Markets will be created for new environmentally friendly technologies and products. New business models and collaborations will be developed to improve environmental performance. Supporting efforts to reduce greenhouse gas emissions and adapt to the effects of climate change.

***Activity 3: Establishing a Green Transition Certification System for industry to facilitate easy access to financial mechanisms for industrial facilities that engage in clean production***

The measure has a direct impact on environmental and climate change policies. With the publication of the Industrial Emissions Management Regulation on green transition, the industry will need to operate within stricter emission ranges than those specified in the environmental legislation currently in force, and with lower emission levels, an increase in air, water and soil quality and waste reduction will be possible.

## 7. Potential risks:

Risk	Probability	Planned mitigating action
<b><i>Activity 1: Establishment of the Turkish Emission Trading System</i></b>		
Difficulty in compliance of compliance entities with the ETS	Medium	Ensuring close cooperation and coordination with all stakeholders during the ETS design and implementation process
<b><i>Activity 2: Preparation of Turkish Green Taxonomy</i></b>		
The effectiveness of the taxonomy may be reduced if those responsible do not have sufficient data to accurately measure and report their environmental impacts.	Medium	Preparation of guidelines for implementation, organisation of trainings to increase capacity
<b><i>Activity 3: Establishing a Green Transition Certification System for industry to facilitate easy access to financial mechanisms for industrial facilities that engage in clean production</i></b>		
Applications not at the expected level	Low	Increasing promotional activities regarding financial support and carrying out the work of the support program by holding meetings with the target audience through the relevant industry chambers, and making updates to the program if necessary according to the feedback

## ii. Digital Transformation

### a) Analysis of main obstacles

With its approach in the 12<sup>th</sup> Development Plan aiming to increase productivity and competitiveness in priority sectors by accelerating digital transformation, Türkiye prioritizes the digital transformation of its industry. Within the scope of the 2024–2030 Industry and Technology Strategy, it aims to establish a more innovative and advanced industrial infrastructure. In line with the 2030 manufacturing industry export target, investments in digitalization will support Türkiye in achieving a stronger position in international trade. Accordingly, it is aimed to increase value added per employee in industry and manufacturing exports, as well as to raise the share of medium and high technology products in total manufacturing production. To achieve these goals and fully realize the benefits offered by digital technologies, it is necessary to strengthen digital innovation capacity across all sectors. At the same time, in order to increase efficiency and ensure the provision of high-quality services to all citizens, the need for a public sector that is a pioneer and a guiding force in digital transformation remains important. Businesses have limitations about prioritizing digital transformation, and the rate of investment in digital transformation is not at the desired level. In addition, the lack of technical capacity and qualified human resources to prepare digital transformation plans further slows down the process. In this context, there is a need to accelerate digital transformation processes in the manufacturing industry.

The Presidential Decree No. 183, published in the Official Gazette dated 28 March 2025 and numbered 32855, the Digital Transformation Office, which was responsible for the measure, was abolished. Its duties of leading digital transformation and artificial intelligence applications in the public sector, facilitating the provision of Digital Türkiye services, enhancing inter-institutional cooperation in these areas, and ensuring coordination were transferred to the duties and authorities of the Cybersecurity Directorate.

### b) Reform measures

#### **Measure 4: “Enhancing digitalisation-oriented investments in industries”**

**1. Description of measure:** The Digital Transformation Program has been designed to encourage digital transformation investments in the manufacturing industry, to increase the digital maturity levels of enterprises, and to ensure the integration of high value-added technologies into production processes. With Presidential Decision No. 9903 dated 30 May 2025, the Program has been included within the scope of the Strategic Move Program and Priority Investments Incentive System. Within the framework of the Digital Transformation Program, enterprises wishing to invest in digital technologies are supported through various instruments. During the investment period or after the completion of the investment, eligible expenditures are incentivized through measures such as corporate tax reductions, Social Security Institution employer's share premium support, VAT and customs duty exemptions, as well as interest/profit share support. In addition, under the Strategic Move Program, machinery support is also offered to investors as an alternative to interest/profit share support. This system largely resembles the existing Incentive Implementation System frameworks of “Priority Investments” and the “Strategic Move Program.” Within this framework, the program adopts

the integration of digital technologies into business processes as a core principle—aimed at reducing costs, increasing productivity, and improving quality—thereby offering enterprises a more holistic and strategic approach to their digital transformation processes. Under this program, firms are required to submit a digital maturity assessment along with a digitalization roadmap. Based on the needs identified through these studies, enterprises apply by preparing an investment plan focused solely on their digitalization-oriented objectives. Within the scope of the Digital Transformation Program, investments that enhance productivity, digitalization, and quality are supported.

**i. Activities planned in 2026:**

- Increasing the promotion of the program and enabling companies to benefit from the program by including certain areas of the service sector as well

**ii. Activities planned in 2027:**

- Expanding awareness activities; providing closed-loop video-training services (digital transformation training) to beneficiary enterprises in cooperation with program partners

**iii. Activities planned in 2028:**

- Measuring the development in the digital maturity levels of enterprises that have completed their investments and using the resulting findings as supporting data for monitoring the impact of the existing support program and reviewing the relevant framework policies

**2. Result indicators:**

Indicator	Current Situation	2026	2027	2028
Number of businesses applying for the digital transformation program	30	70	100	150

**3. Expected impact on competitiveness:** Through the widespread use of digital technologies in the manufacturing industry, production efficiency and product quality will be increased, operating costs will be reduced, and the competitiveness of firms in the global market will be strengthened.

**4. Estimated cost of the activities and source of financing:** Since the activity provides businesses with tax reductions, VAT exemptions, customs duty exemptions, and employer social security premium support, there is no direct transfer of funds from the central budget. The interest or profit share support to be financed from the central budget will be limited to no more than 10 to 15 percent of the investment amount and will be determined based on the enterprises' demand for credit.

**5. Expected impact on employment, poverty, equality between women and men and health care:** Digital transformation investments will contribute to the creation of qualified employment, particularly by supporting the employment of women and young people in digital occupations.

**6. Expected impact on the environment and climate change:** By expanding paperless business processes, optimizing inventory and logistics costs, and promoting data-driven decision support systems, the carbon footprint will be reduced, thereby generating a positive impact on the environment.

**7. Potential risks:**

Risk	Probability	Planned mitigating action
Lower-than-expected number of applications	Low	Increase awareness activities and review the situation of evaluation and advisory institutions

### **iii. Energy Market Reforms**

#### **a) Analysis of main obstacles**

The two main factors shaping the Türkiye's energy sector are considered to be rapid demand growth and import dependency. In this regard, top priority is improving security of supply by decreasing the import dependency and utilizing domestic and renewable energy sources to the maximum extent in an environmentally sound manner.

Türkiye attaches utmost importance and gives priority to realizing energy market reforms and adapting the national energy legislation fully with the EU energy legislation. In this context, fundamental sectoral laws were completed at great extent and efforts for establishing a fully competitive energy market are ongoing. Adapting to the needs and necessities of the European Green Deal is another important milestone for Türkiye. Within this context for accomplishment of green energy transition, increasing energy efficiency in industry, buildings and energy production and transmission; increasing the share of renewable energy in energy mix; support the utilization of hydrogen; integration and digitalization of the energy systems to provide sustainable and uninterrupted energy supply and resilient energy market are the main targets of the Turkish energy sector.

For the 2024-2028 period, critical objectives have been identified, including ensuring sustainable energy supply security, reducing carbon emissions, supporting domestic technologies, and strengthening institutional capacity. In line with the 2053 net zero emission target, strategic steps will be taken in areas such as accelerating renewable energy investments, increasing domestic production capacity in the energy sector and fostering innovation, enhancing governance and oversight processes, and strengthening human resource capacity. In this scope, the installed capacity of renewable energy is planned to increase from 69.2 GW in 2024 to 91 GW by 2028. Within this increase, it is aimed to increase the installed capacity of solar energy from 19.9 GW to 33 GW and wind energy from 12.8 GW to 19 GW. The share of renewable energy sources in electricity generation is targeted to reach 50 percent in 2028, up from 46.03 percent in 2024. Moreover, the share of solar and wind energy in total electricity generation stood at 22 percent during the January-November 2025 period, and it is planned to increase this share to 26 percent.

Many studies have been carried out to develop the energy market. Within this context, electricity and natural gas markets were liberalized to provide the platform for the commercial transactions. In order to ensure supply and system security, Ancillary Service Market and Capacity Mechanism are included to electricity market activities.

The Spot Natural Gas Market 2.0 Project was successfully completed on 13 May 2024. Aimed at ensuring the pricing of natural gas in the market under objective and transparent conditions, the project resulted in enhanced overall system performance and reliability, improved user experience, and the establishment of a more robust infrastructure.

Within the scope of the ongoing efforts for the Turkish Emissions Trading System, the software and infrastructure development activities for the Emissions Trading System Market have been completed and integration activities are ongoing. Under the Climate Law, EPIAŞ has been designated as the Market Operator for the Emissions Trading System Market.

Ongoing enhancements related to the aggregation license are being carried out in EPIAŞ's Energy Markets Management System (EPYS). This project is intended to accelerate digitalization processes for aggregators, license holders and other relevant stakeholders, thereby facilitating the development and execution of procedures related to aggregation activities. The Regulation on Aggregator Activities in the Electricity Market was published in the Official Gazette No. 32755 dated 17 December 2024, and entered into force on 1 January 2025. Board decisions and secondary legislative regulations regarding aggregation activities have been completed. In this context, aggregator licenses began to be issued in February, allowing aggregators to begin operating as market participants.

In order for consumers whose electricity consumption is above a certain level to be able to obtain electricity from any supplier they wish as eligible consumers, with the Energy Market Regulatory Authority Decision published in the Official Gazette dated 17 December 2024 and numbered 32755, the eligibility threshold for 2025 was determined as 750 kWh/year.

The widespread adoption of electric vehicles plays a significant role in reducing carbon emissions by decreasing the share of fossil fuel-based vehicles in transportation, which cause environmental pollution. The number of electric vehicles in Türkiye, which was 185,513 at the beginning of 2025, increased to 321,710 by the end of September. According to the "Electric Vehicle and Charging Infrastructure Projection", prepared and published by the EMRA, which addresses electric vehicle use, development, and charging infrastructure needs, the number of electric vehicles in the country is expected to reach approximately 1,300,000 in the medium scenario for 2030. Regulatory and investment activities are ongoing to develop Türkiye's charging service infrastructure in line with this projected increase. Within this framework, the number of companies operating in the charging service market with charging network operator licenses obtained from the EMRA reached 178. The number of charging stations, which was 1,719 at the beginning of 2023 across Türkiye, increased to 13,381 by the end of September, and the number of charging points, which was 3,081, reached 35,460. The number of charging points is expected to continue to increase nationwide.

Türkiye's total underground natural gas storage capacity is 5.8 billion m<sup>3</sup> consisting of the Northern Marmara Natural Gas Underground Storage Expansion Project with a storage capacity of 4.6 billion m<sup>3</sup> and withdraw capacity of 75 million m<sup>3</sup>/day and the Tuz Gölü Natural Gas Underground Storage Project with a storage capacity of 1.2 billion m<sup>3</sup> and withdraw capacity of 40 million m<sup>3</sup>/day. In addition, the total natural gas input capacity of Türkiye has exceeded 455 million m<sup>3</sup>/day with the underground storage capacity increase and other investments. Efforts to increase Türkiye's underground natural gas storage capacity continue.

The dissemination of the Floating Storage and Regasification Units (FSRUs) is a significant step towards ensuring the diversity of resources and routes in natural gas markets. IPA 2018 BOTAS "Feasibility of Reducing the Amount of Gas Burned in Flare with Flare Gas Recovery (FGR)" project is a technical assistance project to ensure the recovery of pilot gas and waste gas generated during ship unloading with the Flare Gas Recovery System at BOTAS LNG Operation Directorate. The procurement unit of this project is the World Bank. The tender process for the project has been finalized, and the contract of project was signed between the contractor and MENR on 22 May 2025. The project is under implementation and is expected

to be completed in July 2026. Within the scope of the project, different types of FGRS and energy efficiency practices at LNG terminals, as well as on applicable FGRS and efficiency technologies for BOTAS's Marmara Ereğlisi LNG Terminal will be analyzed.

As part of the IPA 2018 program, the "Equipment Supply Project for Photovoltaic Applications for BOTAS", the installation of solar power plants (SPPs) with a total installed capacity of 8 MW at seven different locations owned by BOTAS (Sarıl/Kahramanmaraş, PS-5/Kahramanmaraş, Silopi/Şırnak, İdil/Şırnak, PS-3/A/Şırnak, Pirinçlik/Diyarbakır, Sultanhanı/Aksaray) was completed on 22 September 2023. Additionally, the installation of a 1 MW capacity Solar Power Plant (SPP) at the Ankara Yapraklı site was completed in 2023, increasing total installed capacity to 10 MW.

Since 2022, the entire electricity demand of the Silivri Natural Gas Storage Facility has been met by wind power plant with an installed capacity of 4.2 MW. Furthermore a second wind power plant with the same capacity was established in 2025, bringing the total installed wind power capacity to 8.4 MW. In 2026, among green transformation technologies which aims reducing greenhouse gas emissions, BOTAS plans to conduct an analysis of its role in carbon capture and storage (CCS). BOTAS "Boosting Green and Low Carbon Hydrogen in Türkiye" project which has been proposed within the scope of IPA 2023 has been approved by the EU Delegation. The Financing Agreement for the project entered into force upon its publication in the Official Gazette on 16 December 2024. The tender evaluation process is currently ongoing, and the project is expected to commence in the first quarter of 2026. The project outputs include an analysis of Türkiye's potential for green hydrogen production and consumption, recommendations for the preparation of hydrogen legislation, the creation of a hydrogen network plan, a feasibility study on the hydrogen value chain at the Tuz Gölü underground storage facility, and capacity-building activities such as training, seminars, and site visits.

Within the framework of "Türkiye National Energy Plan" and "the 2053 net-zero target", the installed nuclear capacity is targeted to reach 7.2 GW by 2035. The Akkuyu Nuclear Power Plant (NPP), which will consist of four VVER 1200-type reactors with a total installed capacity of 4,800 MW, has received a commissioning permit for the first reactor, and construction activities are ongoing. The nuclear fuel required for the first and second units has already arrived on site. All units of the Akkuyu Nuclear Power Plant are planned to be commissioned by the end of 2028.

For the Sinop NPP Project, negotiations with potential vendor countries are on-going. "Positive EIA Decision" has been obtained for the project in 2020. "Türkiye Nuclear Energy Company (TÜNAŞ)", as the founder of the Sinop NPP recognized by Nuclear Regulatory Authority (NDK), received site approval from the NDK in 2024, confirming the site's suitability for the construction of NPP. In addition to Akkuyu and Sinop NPP projects, site characterization activities and negotiations with vendor countries are being conducted simultaneously for the Thrace NPP Project. Furthermore, collaboration opportunities are being evaluated for small modular reactors and in order to prepare the comprehensive legal framework in Türkiye, discussions with technology owners/developers, and domestic and international stakeholders are being performed under the coordination of Ministry of Energy and Natural Resources.

In addition to nuclear fission technologies, fusion technologies are of increasing importance in terms of strengthening the national nuclear infrastructure. In this context, TENMAK aims to support R&D projects for IV generation reactors, small modular reactors (SMRs) and micro reactors, multi-purpose research reactors with high neutron flux and fusion technologies.

Within the scope of the efforts for Türkiye to reach the net zero emission target of 2053, Türkiye Hydrogen Technologies Strategy and Roadmap has been published in 2023 to establish the infrastructure of hydrogen technology, which is rapidly developing in the world, in Türkiye with a focus on developing electrolyzers using domestic and national capabilities. In line with the targets set out in Türkiye's Hydrogen Technologies Strategy and Roadmap, R&D and P&D activities are carried out on hydrogen production via electrolyzers, transmission, storage, fuel cells applications, and industrial uses. Since hydrogen must be produced from renewable sources or nuclear energy to contribute to decarbonisation, it is targeted to develop new technologies that will allow hydrogen to be produced in different and more efficient ways in the medium term, including fossil fuels combined with carbon capture, and advanced nuclear technologies such as next-generation SMRs. In this context, additional efforts are focused on carbon storage and conversion to valuable products for sectors where decarbonization is challenging, as well as on the production of advanced carbon materials from domestic resources. In addition, Türkiye Hydrogen Technologies Action Plan is also being prepared in collaboration with the World Bank and is planned to be published by the end of 2025 to achieve the targets and policies set out in the roadmap. The plan aims to create the necessary regulatory framework for the hydrogen economy and support the safe integration of hydrogen into Türkiye's energy system.

Considering Türkiye's current and potential resources, the development and application of innovative technologies in hydrogen are essential for establishing a competitive edge in both domestic and international markets. In this context, the TENMAK R&D Incentives Hydrogen Technologies and Fuel Cell Call has been launched in accordance with the TENMAK Technology and Product Development Projects (TUGEP) Support Program Implementation Principles, with the aim of supporting R&D projects that bring together public institutions, universities, and industry partners to advance hydrogen and fuel cell technologies. In addition, as a complement to this framework, TENMAK has published new TUGEP calls for solar and wind technologies, aiming to support commercializable and scalable projects in solar cell-module production processes, power electronics/inverters, storage and grid integration, and domestic component development, measurement-digitalization, predictive maintenance, and grid integration for wind.

In addition, draft reports have been prepared for the Türkiye CO<sub>2</sub> Capture, Utilization and Storage Technologies Strategy and Action Plan, Türkiye Solar Energy Technologies Strategy and Action Plan, Türkiye Wind Energy Technologies Strategy and Action Plan, Türkiye Rare Earth Elements Strategy and Action Plan, Türkiye Boron Energy Technologies Strategy and Action Plan, Türkiye Energy Storage Technologies Strategy and Action Plan and Türkiye Energy Digitalization Technologies Strategy and Action Plan.

Rare Earth Elements (REE) are called as green elements due to their use in clean and renewable energy technologies and are in the class of critically important raw materials. In addition, it is also important to recover REE from secondary sources (NiMH battery, permanent magnet, electronic waste and fluorescent lamp, etc.) in order to develop the circular economy by providing a sustainable raw material supply. With the projects carried out in country, it is focused to obtain REE from primary and secondary sources in an environmentally friendly and economic manner and on the production of high-tech end products containing REE.

Primary energy consumption of Türkiye in 2024 has increased at a rate of 0.9 percent compared to the previous year and realized as 125 toe/thousand dollars in 2015 prices. The energy intensity of Türkiye has decreased in a rate of 34.6 percent in last 24 years. In 2024, the increase in energy intensity was driven by several factors such as the growing share of the industrial sector in total energy consumption, rising cooling demand and air-conditioner ownership, and the increase in per-household natural gas consumption despite of no significant change in heating degree-day data compared to the previous year.

Within the framework of Türkiye's Energy Efficiency 2030 Strategy and the Second National Energy Efficiency Action Plan (II. NEEAP) to be implemented between 2024 and 2030, ten strategic objectives and twenty-three targets have been identified. In the Energy Efficiency 2030 Strategy Document of Türkiye, which was developed with the participation of a diverse range of stakeholders, including the public, private sector, non-governmental organizations, universities, and new entrepreneurs, 10 strategic goals and 23 objectives have been outlined. The II. NEEAP, which aims to achieve these goals, includes 61 actions and 265 activities divided totally into seven categories of industry and technology, buildings and services, energy, transportation, agriculture, horizontal topics, start-ups, and digitalization. Through the implementation of the II. NEEAP, by 2030, an energy consumption reduction of 16 percent is targeted along with a reduction of 100 million tons of emissions. To reach these targets, it is aimed to invest 20.2 billion dollar in energy efficiency projects both in the public and private sectors and to obtain a cumulative final energy savings of 37.1 mtoe by 2030. This will not only create new employment opportunities by supporting companies engaged in energy efficiency but will also result in 46 billion dollar in energy savings by 2040. In the conducted year 2024 impact analysis of II. NEEAP, it has been determined that the total amount of investment to energy efficiency was 3 billion 352 million dollars and an amount of 1 million 544 ktoe energy savings and 4 million 775 ktonne CO<sub>2</sub> equivalent emission reduction were obtained. In the II. NEEAP the savings target of 1 million 197 ktoe TL, defined for the year 2024, have been accessed and a realization in the rate of 129 percent have been obtained.

The Energy Efficiency investments have been granted with the programs of Efficiency Improvement Projects (EIP) and Voluntary Agreements (VA) since 2009 for the purpose of bringing the energy savings potential into the economy, replacing inefficient equipment with the efficient ones, rising the energy efficiency awareness level and technological development level and increasing energy efficiency implementations. Within the scope of EIP support program, a grant payment of 249 million TL has been made for 731 projects, which had a total investment amount of 1.06 billion TL, completed according to the application projects since 2009 and as a result of implementation of these projects an annual emission of 646 thousand tonnes CO<sub>2</sub> equivalent have been prevented. Also for those who wish to benefit from EIP

supports, the sectoral restrictions have been lifted and project support amount have been increased 10 times. Within the scope of VA support program, an invoice grant amount of 14.8 million TL (at 2025 prices of 26.4 million TL) has been paid for 22 industrial enterprises, reducing energy intensity at the promised rate since 2009. The procedure and principles studies for the mechanism of Energy and Carbon Reduction (E&CR) Grant Program, which would be applied instead of VA, have been continued. With this E&CR grant program the applicant, who decrease determined carbon intensity/energy intensity/specific energy consumption in the reference term in a rate of foreseen amount in the monitoring phase, would be granted as 30 percent of their energy expenses which would have been at most 10 million TL. By the ESCO companies the studies of training, auditing, consultancy and implementation activities, EIP and E&CR grants activities, periodical mandatory audits and ESCO market development by Energy Performance Contracts are being carried out. An authorization certificate is issued to universities and to professional chambers for practical training and authorizing the ESCO companies with the approval of NEEAP M&E Council and now there have been 68 authorized ESCO companies and 6 authorized universities and/or professional chambers.

In order for public buildings to play a leading role in energy efficiency, the 15 percent energy saving target has been updated with a Presidential Circular to be at least 30 percent by 2030. Thanks to the energy efficiency measures implemented in public buildings covered by the year 2025, savings of 2.6 billion TL/year have been achieved. In addition, the necessary legislation and technical infrastructure have been established for the implementation of energy performance contracts in the public sector.

Türkiye aims to increase the share of domestic and renewable energy in the total power generation. In this context, Renewable Energy Resources Zone (YEKA) projects are being implemented to increase energy production and commission innovative solutions and technologies. To date, within the scope of the YEKA model, tenders for solar energy projects with a total installed capacity of 3,820 MW and tenders for wind energy projects with a total installed capacity of 4,000 MW have been completed. YEKA projects, comprising 2,050 MW of solar and 863 MW of wind power has been commissioned. The YEKA RES-2025 tenders, with a connection capacity of 1,150 MW, were held on 9 December 2025, and plans are in place to conduct YEKA tenders for 2,000 MW of connection capacity annually in the coming periods.

Tender studies have been completed with the World Bank for IPA 2018 “Improvement of TEİAŞ's Planning and R&D Capacity” project and the implementation of the project have been initiated on 2 July 2025. The pre-tender preparations are ongoing with Word Bank for IPA 2019 “Offshore Wind Site Investigations” project.

Under IPA 2018, the project titled “Consultancy Services of Capacity Building for Sustainable Public Procurement, Awareness Raising and Increasing Energy Efficiency in Households & Buildings” has been developed. Within the scope of the project, it is planned to prepare, over the next year, an household energy efficiency campaign plan, a roadmap for the harmonization of the eco-design and labelling regulations, a gap analysis report, a guide and calculation tool for the public procurement of energy-efficient products, a report on the auditing and monitoring of the buildings, a report on a sustainable energy efficiency financing mechanism, and demand side participation reports. The project, which will be implemented

through a service procurement model, has a budget of 1,700,000 euros and is expected to contribute to the development of the energy efficiency market.

#### **iv. Transport Market Reforms**

##### **a) Analysis of main obstacles**

The National Transportation and Logistics Master Plan, which aims to establish a balanced and complementary transportation system among modes based on key elements such as transportation costs, accessibility, and traffic safety, has been revised and published.

Road traffic safety in Türkiye constitutes a significant socioeconomic problem area, and measures aimed at preventing traffic accidents continue to be of critical importance. In this context, the “Road Traffic Safety Strategy Document (2021-2030) and Road Traffic Safety Action Plan (2021-2023)” was published on 3 February 2021 through Presidential Circular No. 2021/2. Within this framework, the “2024-2027 Road Traffic Safety Action Plan,” which constitutes the second implementation phase of the Road Traffic Safety Strategy Document, has been published, and the steps to be taken in the field of road traffic safety over the forthcoming four-year period have been planned with the aim of clearly defining institutional responsibilities.

In addition, the insufficiency of secure and safe truck parking areas (SSTPAs) constitutes another risk factor by increasing fatigue among professional heavy vehicle drivers engaged in national and international commercial freight transport, thereby leading to traffic accidents, loss of life, and material damage. This situation also represents a structural barrier in terms of cargo and vehicle security as well as working conditions. Türkiye prioritizes gradual alignment with European Union requirements regarding the development of SSTPA facilities along the TEN-T core, extended core, and comprehensive networks. In this context, preparatory efforts are being carried out by the Ministry of Transport and Infrastructure focusing on legislative alignment, needs assessments, and the establishment of technical design standards in line with EU classifications.

As a result of these efforts, beyond demonstrating the strategic importance of SSTPAs in enhancing cargo and vehicle security and contributing to national road traffic safety objectives, social goals such as improving overall working conditions in the sector and increasing female employment in the profession of heavy vehicle driving may also be supported. Furthermore, it is aimed to establish a sustainable SSTPA implementation framework aligned with EU standards through alternative financing and operational models. Within this framework, coordination is also being ensured with ESPORG, the competent civil society organization at the European Union level, and it is planned that national legislation on SSTPAs will be brought into full alignment with the EU *acquis* by the end of 2028.

As of the end of 2025, Türkiye’s existing railway network totals 13,919 km, comprising 2,251 km of high-speed railway lines, 9,235 km of conventional main lines, and 2,433 km of connection and station lines. Of the total network, 58 percent is signaled and 52 percent is electrified. With projects to be completed in the coming years, a significant increase in the length of electrified and signaled lines is expected.

The container handling in Türkiye reached 13.53 million TEU and total cargo handling amounted to 531.7 million tons by the end of 2024. In 2025, total container handling is expected to increase by approximately 3.2 percent to 14.0 million TEU, while total cargo handling is

projected to rise by approximately 3.7 percent to 550 million tons. Türkiye's small-scale, inefficient, and fragmented port infrastructure increases logistics costs and, at the same time, leads to excessive competition within the sector, reducing the profitability of port operators and hindering the development of high-quality port infrastructure. Within this framework, port investments in Türkiye will be evaluated through a holistic perspective. In addition, efforts aimed at reducing greenhouse gas emissions originating from the maritime sector and supporting green shipping continue.

As of November 2025, passenger traffic at airports increased by 7.3 percent in international flights to 135.7 million passengers, by 6.2 percent in domestic flights to 93.8 million passengers, and by 6.9 percent overall to reach 229.5 million passengers compared to the previous year. By the end of 2025, total passenger traffic is expected to exceed 246 million.

Antalya Airport, which served over 39 million passengers in 2024, has completed capacity expansion works worth approximately 740 million euros under the PPP framework. The domestic terminal was expanded from 36,859 square meters to 75,000 square meters, the international terminal from 90,143 square meters to 224,000 square meters, and the apron area was expanded, increasing the aircraft parking capacity from 108 to 176. Thus, the airport's capacity of 35 million passengers/year has been increased to 82 million passengers/year with new investments.

As part of the Simultaneous Triple Independent Runway Operation studies that began in 2022, training, implementation, and other processes were completed, and on 17 April 2025, three aircraft took off simultaneously from Istanbul Airport for the first time in European airspace. Thanks to dynamic capacity management, aircraft waiting times were reduced, fuel savings were maximized, and potential delays were minimized. In addition, with these operations, the airport's daily flight count exceeded 1,600. Phase 1 of the second stage of work is ongoing at the airport. As part of this work, the fourth main runway, running east-west, is planned to enter service in 2026 at the airport, which currently operates with three main north-south runways and two backup runways.

Construction work on the third runway and other ancillary facilities at Esenboğa Airport is continuing under the PPP model, and the project is expected to be completed and the runway to enter service in the first quarter of 2026.

The first phase of work at Hatay Airport, which was damaged in the earthquakes centered in Kahramanmaraş and Hatay, has been completed, and a 2,720-meter-long and 45-meter-wide auxiliary runway, a total of 10 aircraft parking positions, apron, and taxiways have been opened for service. The first commercial flight was operated on 2 September 2025. The renovation of the main runway, fast exit and connecting taxiways, perimeter wall, terminal building reinforcement, and other infrastructure works are expected to be completed by the end of 2026. Investments aimed at increasing the capacities of existing airports that have reached their operational limits, enhancing service standards, improving flight safety, and implementing projects related to air traffic management continue to remain sectoral priorities.

### **5.3. Human Capital and Social Policies**

#### **i. Education and Skills**

##### **a) Analysis of main obstacles**

During the 2023-2025 period, the curricula of compulsory subjects at the pre-primary, primary, and lower secondary levels have been updated in line with a skills-based holistic approach within the scope of green and digital transformation. These revised curricula have been gradually implemented starting from the 2024-2025 academic year. However, the curricula of elective courses offered at the lower secondary level are still acquisition-based. It is aimed to improve this situation by enhancing alignment in teaching and learning processes and to ensure that students attain the desired level of skills in an international context, including with regard to elective courses.

At the lower secondary level of basic education, there are issues concerning the availability and accessibility of supplementary learning resources that support students in strengthening their learning within their current grade and consolidating what they have learned at school as preparation for the next educational stage. Since these supplementary resources are not equally accessible to students from all backgrounds and are mostly provided in printed format, they do not contribute to the green and digital transformation in education, which constitutes a significant challenge.

In today's world, where digitalization and artificial intelligence technologies are rapidly advancing, continuous updating of curricula requires strong sectoral cooperation and a qualified human resource base. In this context, the development of workshop infrastructure, equipment, software, and materials aligned with digital and green skills in educational institutions is considered a priority.

While there is a need for continuous in-service training to enable teachers to adapt to new technologies, there is also a need to establish a qualified and evenly distributed teaching workforce across all regions. In addition, efforts are being undertaken to improve public perceptions of vocational education in order to encourage student orientation toward vocational training centers.

In the process of recognizing and certifying non-formal learning, the dissemination of standards across all sectors and the development of the assessment and evaluation infrastructure are expected to enhance efficiency. These areas stand out as the main policy factors that need to be improved in order to achieve the envisaged transformation in line with development and sustainability objectives.

##### **b) Reform measures**

###### **Measure 5: “Skill-based updating of curriculum and strengthening vocational training centers”**

**1. Description of measure:** In line with the objectives stated at the Articles 658 and 669 in the 12<sup>th</sup> Development Plan and “providing inclusive and quality education for all” in the SDGS of the United Nations, the curricula at the basic education level from pre-school to 8th grade will be renewed with a skill-based holistic approach, with priority given to basic courses.

Vocational and technical education is an effective tool for accelerating employment and ensuring a balance between supply and demand. Therefore, teaching programs are constantly updated to train a qualified workforce that meets the expectations of the sector. In VET, National Occupational Standards (NOS) prepared by the Vocational Qualifications Authority (VQA) will also be taken into account along with the competencies required by sector demands. Efforts to prepare teaching materials that are suitable for the updated curriculum content will continue.

Moreover, the aim is to train individuals equipped with digital skills in parallel with the “Digital and Green Skills” policy, which is one of the priorities for the 2019–2024 period within the scope of the European Union Strategies.

Vocational training centers are programs where students gain knowledge, skills and competence by receiving training in real business environments. Studies will be carried out to enroll more students in these programs. In addition, studies will be carried out to recognize and certify professional skills acquired through non-formal or informal learning, so that more people will be able to obtain certification.

It is significant to develop vocational education by creating a vocational skills inventory, skill needs mapping and skill sets throughout the country on the axis of green and digital transformation in order to give direction to vocational education, to bring the skills needed to make human resources qualified to the workforce through vocational education and higher education, and to develop vocational education by taking into account the supply and demand balance of labor markets in line with changing technology, production structure and service delivery forms.

In the Weekly Lesson Schedule for Primary Education Institutions (Primary and Lower Secondary Schools), the curricula of elective courses offered at the lower secondary level will be updated in line with a skills-based holistic approach that supports green and digital transformation. Educational materials will be developed for the courses identified in accordance with the new curricula.

Content will be developed for the Individual Learning Platform (MEBİ), which was established to help lower secondary school students reinforce the knowledge they acquire in lessons, identify their learning gaps, and enrich their learning experiences.

### **i. Activities planned in 2026:**

- Updating the curricula in a dynamic process in line with sector demands, changing and developing technologies, and the national occupational standards and national qualifications prepared by the VQA,
- Preparing printed instructional materials appropriate to the content of vocational and technical secondary education programs,
- Diversifying methods for the recognition and certification of vocational skills acquired through non-formal or informal learning,
- At the upper-secondary education level, curricula, course materials, educational tools and digital content will be prepared/updated in cooperation with the sector in line with digital and green skills,

- Developing curricula, infrastructure and internship opportunities to train teachers in accordance with the requirements of the age, particularly regarding digital and green transformation,
- Directing individuals to vocational training centers within the scope of the Vocational Education Program for Employment (IMEP-2),
- Through modules titled “Vocational and Technical Education in the Century of Türkiye” prepared in collaboration with the General Directorate of Vocational and Technical Education and the General Directorate of Innovation and Educational Technologies, teachers will be enabled to provide students and parents with comprehensive information regarding the vocational and technical education process.
- The curricula of the 25 courses included in the schedule will be updated. After the curriculum development process is completed, educational materials will be developed accordingly,
- Content will be developed for 7th-grade students on the MEBİ platform.

**ii. Activities planned in 2027:**

- Updating the curricula in a dynamic process in line with sector demands, changing and developing technologies, and the national occupational standards prepared by the VQA,
- Preparing printed instructional materials appropriate to the content of vocational and technical secondary education programs,
- Diversifying the methods for recognizing and certifying vocational skills acquired through non-formal or informal learning,
- Ensuring the development of curricula, infrastructure, and internship opportunities suitable for contemporary requirements particularly digital and green transformation in the training of teachers,
- At the upper-secondary education level, curricula, course materials, educational tools, and digital content will be prepared/updated in cooperation with the sector in line with digital and green skills,
- Directing individuals to vocational training centers within the scope of the IMEP-2 project,
- Through modules titled “Vocational and Technical Education in the Century of Türkiye” prepared in collaboration with the General Directorate of Vocational and Technical Education and the General Directorate of Innovation and Educational Technologies, teachers will be enabled to provide students and parents with comprehensive information regarding the vocational and technical education process.
- Printing and distributing the promotion and guidance booklet,
- Content for 8th-grade students will be comprehensively redeveloped in line with the Century of Türkiye Maarif Model for MEBİ Platform.

### iii. Activities planned in 2028:

- Transforming vocational and technical education programs into a modular and dynamic structure and integrating digital and green skills into all fields,
- Developing digital instructional materials, interactive content, simulations, and personalized learning platforms,
- Expanding specialist programs and sector-based practical training aimed at enhancing teachers' competencies in digital and green transformation,
- Increasing activities to direct individuals to vocational training centers and developing digital matching and cooperation mechanisms to strengthen apprenticeship processes,
- Using AI-supported guidance and career counseling tools and effectively evaluating graduate tracking data in educational planning,
- Expanding joint curriculum development efforts with the sector, updating green occupations, and strengthening quality assurance systems,
- Directing individuals to vocational training centers within the scope of the IMEP-2 project,
- Promotion and guidance for Vocational and Technical Secondary Education Institutions,
- Printing and distributing the promotion and guidance booklet,
- The MEBİ platform will be expanded to include live lessons, guidance services, audio summaries (podcasts), and workbooks.

## 2. Results Indicators:

Indicators	Current Situation	2026	2027	2028
Number of Updated/New Curricula in Vocational and Technical Anatolian High Schools	Framework Curricula for 56 Fields and 116 Branches. This year, 3 fields and 5 branches were added.	Updates will be made in 5 fields per year.	Updates will be made in 5 fields per year.	Updates will be made in 5 fields per year.
Number of Updated/New Curricula in Vocational Training Centres	Framework Curricula for 39 Fields and 193 Branches. (It is planned to update all fields and branches within 3 years.)	15	15	9
Number of Printed Instructional Materials	986	1,057	1,107	1,157
Vocational Pedagogy Course – Master Instructor Training Material	It will begin in the last quarter of 2025.	1000 copies	-	-
Number of Individuals Certified Through Recognition of Prior Learning (RPL)	189,274	193,059	196,921	200,859
Number of Students Enrolled in Vocational Training Centre Programs (Grade 9)	171,490	174,919	178,418	181,986

Number of Curricula Developed	30 (learning outcome based)	25 (competency based)	-	-
Number of Educational Materials Developed (textbooks, teacher guides)	13 (It will be prepared according to learning outcome based)	14 (It will be prepared according to competency based program)	-	-
Number of content (Readiness questions, context-based questions, assessment questions, instructional videos, skills-based interactive content, activities, gamified learning content, live lessons, guidance services, audio summaries (podcasts), workbooks) developed for the MEBİ Platform	<p>For 5th grade: Readiness questions: 189 Context-based questions: 156 Assessment questions: 579 Instructional videos: 43 Skill-based interactive content: 106 Activities: 165 Gamified learning content: 43 For 6th grade: Readiness questions: 187 Context-based questions: 392 Assessment questions: 891 Instructional videos: 54 Interactive content: 116 Activities: 531 Gamified learning content: 58 For 8th grade: Readiness questions: 232 Assessment questions: 468 Instructional videos: 59 Topic summaries: 59 Question-solving videos: 583 Past exam questions: 351</p>	<p>For 7th grade: Readiness questions: 302 Context-based questions: 250 Assessment questions: 926 Instructional videos: 69 Skill-based interactive content: 170 Activities: 264 Gamified learning content: 69</p> <p>(Content development for the topics of the second semester of the 2025-2026 academic year at the 7th grade level is ongoing.)</p>	<p>For 8th grade: Readiness questions: 299 Context-based questions: 627 Assessment questions: 1,426 Instructional videos: 86 Interactive content: 186 Activities: 850 Gamified learning content: 93</p>	<p>For 8th grade: Live lessons: 86 Audio summaries: 86 Workbooks: 5</p>

**3. Expected impact on competitiveness:** As a result of implementing the updated curricula in vocational and technical education, students are expected to acquire the knowledge and skills required by the era in terms of digital, green, and sectoral competencies.

Aligning the programs with the qualifications demanded by the labor market will increase the employability of graduates and facilitate access to a skilled workforce. In the medium term, this will enhance productivity in business production processes, accelerate technology adaptation, and strengthen the competitiveness of sectors. In addition, the participation of a workforce equipped with up-to-date vocational skills in the labor market will contribute to the widespread adoption of innovative production practices, an increase in the production of value-

added goods and services, and the sustainable development of national competitiveness. In the long term, assuming that individuals trained through this program acquire the skills required by the era, the impact of the measure on competitiveness can be observed indirectly over time.

**4. Estimated cost of the activities and the source of financing:**

**2026:** 3,676,281,000 TL - 67,711,099 euros

(Central Budget + UNICEF grant + The EU Facility for Refugees in Türkiye (FRiT))

**2027:** 3,668,781,000 TL - 62,089,734 euros

(Central Budget + UNICEF grant + FRiT)

**2028:** 5,007,500,000 TL - 79,917,341 euros

(Central Budget + UNICEF grant + FRiT)

**5. Expected impact on social outcomes, such as employment, poverty reduction, equality between women and men and access to health care:** The Vocational Education Policy Document, revised in 2024, defines the primary objective of the reforms implemented in the field of vocational and technical education as the establishment of a more labor-market-aligned, dynamic, and inclusive education system. Within this framework, strengthening the interaction between education, production, and employment aims to ensure that graduates achieve a higher level of alignment with the knowledge, skills, and competencies demanded by the labor market. This approach is expected to contribute to increased employment rates and a reduction in unemployment. Rising employment levels, particularly among low-income groups, are anticipated to improve income levels and have a positive impact on reducing the risk of poverty.

The policy document also identifies the strengthening of equal opportunities and responsive approaches to equality between women and men as key priorities, with a specific focus on increasing access to vocational education for women and other groups requiring special policies. The measures to be taken in this direction are expected to support the labor-force participation of these groups and contribute to the reduction of social inequalities.

While the reform measures envisaged in vocational education are not expected to generate immediate and direct short-term impacts on employment, poverty, equality, gender, and health services, the provision of educational materials to all students through online platforms is expected to represent a significant improvement in terms of equal access to education. Through this practice, it will be possible to strengthen learning outcomes and ensure more equitable access to education.

The measures envisaged to enhance the employability of vocational and technical education graduates, as well as their potential impacts on employment, are presented below:

- It is targeted to increase the number of students enrolled in the 9th grade of Vocational Training Centres by 2 percent annually and this increase is projected to contribute approximately 54,000 additional jobs in total over the 2026-2028 period initially. In this context, the interaction between education, production, and employment within vocational and technical education will be further strengthened.

- Reducing skills mismatches in the labor market and meeting the demand for qualified intermediate staff through the certification of prior learning, alongside strengthening the lifelong learning approach, are among the core policy objectives. Within this framework, an annual increase of 2 percent is envisaged, and this increase is expected to contribute a total of approximately 59,000 additional jobs over the 2026-2028 period.
- In order to support individuals' transition into employment with broader and more transferable skills, excessive fragmentation of occupations into narrowly defined tasks will be avoided, and certification programs targeting technical specialisation skills required by the labor market will be developed.
- Cooperation mechanisms with the İŞKUR will be strengthened to ensure that graduates are employed in jobs aligned with the vocational fields in which they have been trained.
- To enhance the employability of vocational and technical education graduates, modernise educational environments with up-to-date technologies, and promote practice-based learning within the enterprise ecosystem, cooperation models such as “industry-based schools” and “industry-integrated schools” will be expanded.

**6. Expected impact on environment and climate change:** In the competency-based holistic approach that underpins the newly developed curricula, the theme of a “livable environment” emerges as a core domain of the value model intended to be instilled in students. Additionally, branch programs prepared with a competency-based approach may emphasize environment and climate change in alignment with the relevant courses and skills. This can positively influence children’s adherence to social rules and their development of behaviors aimed at protecting the environment in which they live.

The reform measure is largely not expected to have a direct impact on the environment. However, one of the elective courses whose curriculum will be updated is “Environmental Education and Climate Change.” This course is expected to have direct effects such as raising students’ awareness of environmental and climate change issues, helping them develop conscious behaviors in line with what they have learned, and encouraging them to serve as role models within their social environment. In other courses, topics related to the environment and climate change may be emphasized within the framework of values education and sustainability skills, as appropriate to the content of each subject, through skills-based holistic curricula. In this way, the reform may have a positive effect on students’ compliance with social norms and their adoption of behaviors that protect their environment.

## 7. Potential risks:

Risk	Probability	Planned mitigating action
Disruption of the tender process in the preparation of digital content	Low	Giving importance to planning and coordination for the healthy progress of the process

## ii. Employment and Labor Markets

### a) Analysis of main obstacles

Sustaining economic and social welfare is possible not only by providing persons with jobs but also by creating decent work conditions. Creating jobs that are productive and provide fair wages, ensure occupational health and safety, allow employees to organize and participate in decision-making processes, and offer equal opportunities to all will contribute to economic and social development. In this regard, it is of great importance that the jobs emerging as a result of changes and transformations in working life comply with the criteria of decent work and that policies are developed accordingly.

On the other hand, in today's labor market, radical changes such as digital and green transformation are taking place. These transformations significantly affect the nature of employment and the structure of the labor market, resulting in the need for the labor force to adapt to new job opportunities by improving technological and green skills. In order to adapt to these transformations and to prepare the labor force for the future, determining policies that are compatible with the developments in domestic and international is critical.

In line with these priorities, within the scope of the National Employment Strategy (2025-2028), which entered into force upon its publication in the Official Gazette dated 1 February 2025 and numbered 32800, four main policy areas have been identified “Enhancing Green and Digital Transformation and Skills Adaptation in Labor Markets”, “Promoting Inclusive Employment”, “Strengthening the Social Protection-Employment Nexus” and “Developing Sustainable Employment in Rural Areas”. The goals and policies determined under each main policy area are implemented through action plans. In this context, the action plan includes a total of 90 actions. Action plans are implemented by the responsible institutions and organizations in cooperation with the relevant stakeholders.

As part of the just transition efforts, activities have been carried out to reflect just transition policies in national policy documents, raise awareness, and build capacity. Under the “Project to Develop Workers' Skills Adaptation in the Green and Digital Transformation Process,” worker-employer meetings are being held in 10 provinces as part of awareness-raising and capacity-building activities. Within the scope of the work of the Just Transition Policies Expert Working Group (AGEP), established as a member of the “Green Deal Working Group” and within the Working Group, sectoral and thematic studies on just transition are being carried out under the headings of “Empowering Women,” “Energy,” “Skill Adaptation Development,” and “Social Dialogue” are ongoing to establish Sub-Working Groups for sectoral and thematic studies on just transition.

For the effective preparation of the National Just Transition Strategy and the implementation of related policies, it is of critical importance to strengthen institutional capacities, ensure ownership of the process by relevant institutions and social partners, and establish supportive mechanisms. With the changes to be experienced in production processes as a result of the digitalization of sectors, especially industry, it is expected that the most destructive effects will be on working life and employment, profession-job preferences and business models. Considering Türkiye's labor-intensive production structure, it is necessary to prepare for this process of change and transformation.

Increasing the positive expectations of young people for the future, closing the gap between technology and qualified labor force, getting out of the middle income trap by increasing global competitiveness and developing new policies, especially in the field of education, by properly identifying the effects of the increasingly digitalised labor force are significant actors for Turkish economy to combat unemployment effectively.

It is observed that the Turkish economy has recently achieved a rapid and stable growth momentum. This trend has brought a high employment growth and an intense job creation process. In addition to the driving force of high growth, labor supply is also supported by structural factors such as rapidly increasing female labor force participation and social security reforms. In order to ensure that this potential does not remain idle and is utilized efficiently, it is crucial that the labor market has a competitive structure and functions properly. On the other hand, creating job opportunities that will ensure a certain level of welfare for the society as a whole and supporting segments of society facing barriers in the labor market are also among the important priorities. In this context, a reform infrastructure was adopted aiming to reach a competitive and well-functioning labor market and taking the social inclusion into account. It is aimed to harmonize social assistance policies with labor market dynamics and simultaneously support segments of society facing barriers in the labor market.

Within the scope of active labor market programs, on-the-job training programs are implemented by İŞKUR to increase the employability of the labor force. As of 2025, on the basis of the days they actually participate in the program and for those participating in the on-the-job training program, İŞKUR will provide:

- 850.18 TL per day for participants with the status of job seeker, 637.63 TL for students, 425.09 TL per day for those receiving unemployment benefits,
- General health insurance and occupational accident and disease insurance premiums throughout the program period.

Young people registered to İŞKUR benefit intensively from on-the-job training programs, and as of 2024, 55 percent of those who benefit from on-the-job training programs are young people aged 15-24.

İŞKUR initiated its employment and vocational counseling services in 1991. These services were significantly expanded and strengthened in 2012 and 2013 through the recruitment of 4,000 Employment and Vocational Counselors, enabling the institution to reach broader segments of the population and to deliver its services more effectively. Today, with both internal and external counselor appointments, the effectiveness of these services continues to increase day by day. As of the end of October 2025, there are 4,532 job and career counselors in İŞKUR.

Employment and vocational counselors provide comprehensive counseling services to jobseekers, employers, and students based on their needs, following a portfolio-based system. This system requires counselors to focus on numerous individuals and employment opportunities simultaneously, rather than a single activity or person. To address this challenge and enhance service quality, İŞKUR transitioned to the Profile-Based Counseling System, which emphasizes a more personalized and targeted approach to counseling.

Between the start of the counselor recruitment process in 2012 and the end of October 2025 — a period of 13 years — counselors conducted 46 million 545 thousand individual interviews, 7 million 373 thousand workplace visits, and 221 thousand school visits. Through these activities, İŞKUR has reached a large number of jobseekers, employers, and students, facilitating employment matching and providing guidance on career and occupational choices.

Within this framework, it is considered that the counseling services, already achieving significant quantitative progress with the existing system and personnel structure, have transitioned to a system based on individual-oriented service delivery. Drawing on the experiences gained during this process, and in line with the meetings and evaluations conducted with human resources managers, private employment agencies, job seekers, and other stakeholders, a new Profile-Based Counseling System has been implemented. This system places the individual at the center and classifies job seekers into three different profiles according to their risk of remaining unemployed for more than six months, aiming to provide services tailored to each profile. The model envisions delivering faster and lighter counseling to those with lower risk profiles, while also developing specialized sub-units within counseling services to address the needs of groups requiring special needs. In this context, specialization units have been established in the areas of disability job coaching, job club leadership, and vocational counseling.

İŞKUR already offers also consultancy activities, incentives and active labor market programs in order to increase the employability of groups that require special policies, especially women, young people and the persons with disabilities. In addition, it is aimed to increase the employability of the groups that require special policies through a labor force adaptation program that combines theoretical soft skills training and on-the-job learning.

Households with no registered employee (households with no income items other than social assistance) are among the groups where poverty is experienced most intensely, and social exclusion and involvement in crime are the highest. For this reason, provision of specific services to these groups by İŞKUR through job and vocational consultants is an important step towards ensuring both social justice and social peace.

As it is well known, the difficulties experienced in reducing the degree of permanent disability and/or integrating into employment for insured individuals who have experienced a work-related accident, the difficulties experienced in insured individuals who are deemed disabled subject to a physical examination and the subsequent termination of their disability pensions, and the resulting increase in disability claims, necessitate a more effective implementation of the current assessment system. Therefore, there is a need for proactive incentive policies to ensure fair and sustainable employment. Within this framework, risk-preventive social policies should include increasing the number of active insured individuals, encouraging them to remain in the system for longer periods, and reducing or eliminating the risk levels of those exposed to risk.

**b) Reform measures****Measure 6: "Enhancing and improving the employment services in line with the needs of the labor market"**

**1. Description of measure:** Access to qualified and sustainable employment will be increased in line with the principle of a just transition, particularly for young people, women, and persons with disabilities, in order to ensure adaptation to the new skills and occupational demands required by the green and digital transformation in the labor market. In this context, activities will be carried out in alignment with the 12<sup>th</sup> Development Plan, the MTP (2026-2028), and the National Employment Strategy (2025-2028).

The Climate Law that has entered into force includes important provisions regarding a just transition in terms of effectively managing the social and economic negative impacts and evaluating the opportunities associated with the net-zero target in achieving Türkiye's sustainable development goals. In this process, the planning of the just transition process, the updating of education and skills programs, the establishment of financing and incentive systems, the determination of social protection measures, the development of social dialogue, the adaptation of employment policies, and their implementation at the sectoral and local levels play a key role. In this context, the National Just Transition Strategy is planned to be prepared and published in the coming period to ensure green and digital transformation in labor markets during the transition to a green and circular economy and to minimize the negative social and economic impacts of the process while maximizing opportunities.

MTP (2026-2028), Climate Change Adaptation Strategy and Action Plan (2024-2030), 2030 Industry and Technology Strategy, National Artificial Intelligence Strategy (Action Plan), Ministry of Labor and Social Security Strategic Plan (2024-2028) clearly emphasize the role of the VQA and the national qualification system in the vision of decent, green and digital transformation.

VQA will develop occupational standards and qualifications for digital and green skills. Thus, within the scope of the National Qualifications System, support will be provided for green and digital transformation in order to contribute to the integration of education and employment policies. National occupational standards (NOS) and national qualifications (NQ), which are among the most important components of the national qualification system implemented by the VQA, determine the necessary knowledge, skills, attitudes and behaviors related to the profession; and provide input to vocational and technical education. Within the scope of the measure to develop professional standards and competencies for digital and green skills, newly formed professions in the field of green and digital transformation will be analyzed with the participation of all relevant parties and through sector committees coordinated by VQA, new national professional standards and national competencies will be developed and existing standards will be updated in these areas and steps will be taken to provide qualified labor force to the labor market in these areas.

İŞKUR follows up the developments in the labor market; implements effective practices in a flexible structure in line with the demands of job seekers, employers and sector representatives. In this scope, İŞKUR restructures and modernizes all of its services, primarily matching services, according to the necessities of this era. In addition to the target group-

oriented diversification of the services to meet the need for qualified and experienced labor force, İŞKUR carries out significant resource transfers to train the labor force for future professions. İŞKUR also takes measures to protect the labor force at risk of unemployment, ensure effective provision of temporary income support and reintegrate those into employment.

### **Measures foreseen under the title of “Employment and Working Life”<sup>9</sup> in the 12<sup>th</sup> Development Plan:**

- (695.1) Within the framework of the transformation in labor market, skill development activities will be carried out to meet the need for semi-qualified and qualified labor force.
- (697) Participation of groups requiring special policies in the labor market will be ensured with an adequate income, where registered, occupational health and safety conditions are provided.
- (698) Employment of young people will be increased and working conditions will be improved.
- (698.4) The effectiveness of programs for supporting the access of young people not in employment nor education or training will be enhanced.
- (698.5) Activities will be carried out to raise the awareness of the youth on careers and facilitate their access to employment opportunities.

### **Measures foreseen under the title of “Employment”<sup>10</sup> in the MTP:**

- Vocational and technical education curricula will be updated in cooperation with the private sector. Private sector participation, including management and financing, will be increased to ensure the dissemination of internship and on-the-job training programs.
- In order to encourage the participation of young people who are not in employment nor education or training, programs that consider their vocational training, competence and skills will be implemented.
- Programs and activities that will foster young people’s awareness on careers regarding the professions of future will be expanded.

### **Measures foreseen under the title of “Just transition strategy”<sup>11</sup> in the 2024-2030 Climate Change Mitigation and Adaptation Strategy and Action Plans heading:**

- Preparation of the national just transition strategy to ensure the green transformation in labor markets and to make sure that the transition takes place under fair conditions,
- Improving the just transition process and social dialogue,

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<sup>9</sup> Since the National Employment Strategy (NES) is a comprehensive document covering all aspects of working life, all provisions related to employment and working life in the 12<sup>th</sup> Development Plan and the MTP contribute to this measure concerning the NES and the National Just Transition Strategy.

<sup>10</sup> NES is a comprehensive document covering all aspects of working life, all provisions related to employment and working life in the 12<sup>th</sup> Development Plan and the MTP contribute to this measure concerning the NES and the National Just Transition Strategy.

<sup>11</sup> All measures under this heading fall within the scope of the National Just Transition Strategy.

- Determining the new qualification and skill requirements that the green transformation process will result in regarding the labor demand, and carrying out studies to train a labor force with new qualifications in line with the sectoral and regional needs,
- Establishing the standards of professions that will change or emerge in the green transformation process,
- Preparation and implementation of training programs to meet the labor force needs that will arise with the transformation process by carrying out studies to harmonize the training curriculum and higher education programs with the new skills framework determined,
- With the sectors' approach of leaving no one behind in the green transformation process, efforts will be made to ensure the participation of groups that require special policies, primarily women, in decision-making processes, and to ensure that they benefit effectively from vocational training, skill acquisition/development programs and job opportunities.

In the Strategic Plan of İŞKUR for the period of 2024-2028, several measures have been foreseen in particular for women, youth and persons with disabilities whom considered to be disadvantaged in the labor market.

Through on-the-job training programs, it is ensured that people, who do not have professional or work experience gain professional and work experience, and thereby their employability is increased. In this way, people who are seeking for job but cannot find due to lack of work experience, gain work experience and employers have the opportunity to train the labor force they need.

On-the-job training programs are implemented in private sector workplaces with at least five employees. Within the scope of the program, employers can use quotas up to 30 percent of the number of employees. On-the-job training program is implemented for maximum 6 months in workplaces and professions in the IT sector and manufacturing industries, and maximum 3 months in other sectors. On the other hand, it is implemented for a period not less than the minimum duration of the Ministry of National Education Lifelong Learning Modules in dangerous and very dangerous professions. The duration of on-the-job training programs is maximum 9 months for young people aged 18-29 who participate in on-the-job training programs to be organised in areas such as cyber security, cloud computing, game developing and coding, which are seen as the professions of our era and the future. Programs can be planned for minimum 5 and maximum 8 hours per day and maximum 45 hours per week not to exceed 6 days.

With the new ways of doing business brought by developing technological and industrial trends, it is of great importance for the labor force to adapt to these changes in this period when the concepts of digitalisation and green economy come together and reveal the twin transformation, together. In this context, it is aimed to increase the qualified labor force, and raise the level of global competitiveness of Türkiye through organising on-the-job training programs in these fields for the upcoming period.

Within the scope of the policies and measures stated in the top policy documents, it is aimed to expand on-the-job training programs and to enable young job seekers, especially young people requiring special policies, to benefit more from these programs.

The job and vocational counselling services provided by İŞKUR contributes comparing the characteristics of individuals with the qualifications and conditions required by professions and jobs and helps the individual to choose the job and profession that best suits his/her wishes and situation, to benefit from training opportunities related to the chosen profession, to be placed in a job, and to solve problems related to job adaptation is provided systematically. In this context, İŞKUR's 2024-2028 Strategic Plan also envisages measures such as increasing women's participation in the labor market, increasing programs aimed at the participation of young people with NEET potential in the labor market, and increasing the employment of people with disabilities.

### **Labor Adjustment Program (LAP)**

LAP aims to provide knowledge, skill, working habit and discipline for smoother transition to labor market whom unemployed people especially who require special policies. LAP is an active labor force program that provides participants experience and practical skills can have response at labor market via participating LAP at fields of social services, maintenance-restoration, green transition etc. women, people with disabilities, ex-convicts, wounded in a way to not getting disability in the fight against terrorism and people involved in Household Support System are prioritized groups of program.

This program can be derived into other programs in order to fulfil needs of groups require special policies. Labor Adjustment Program without Barrier is an alternative version of LAP specifically designed for disabled people. As of September 2025, Programs for countrywide for 10,000 disabled persons implemented. Besides, a specialised program for NEETs that plans to be implemented at 2026 whose feasibility and other kinds of preparations has been making for quota of 150,000 NEETs.

### **Household Support System (HSS)**

Households without sustainable livelihoods have been subject to a household-based approach as of 2024 by İŞKUR, in addition to the profiling and portfolio activates currently carried out on an individual basis.

Household Support System aims to support households to have sustainable livelihood sources which neither have any regular social assistance nor have any working member or retired person by offering specialized and expanded public employment services to their doorsteps and afterwards by prioritizing them in other public employment services and monitoring these services.

### **İŞKUR Youth Program**

İŞKUR Youth Program is a part-time based active labor market program that provide undergraduates, graduates, postgraduates and phd-graduates theoretical and practical trainings by supporting public services via corporation with public universities. Soft skills such as CV

preparation, interview techniques etc. take part in Youth Program, foresees young people's smoother transition to labor market.

Program aims not only strengthen link between universities and labor market by increasing employability of tertiary education students but also decreasing unemployment among white-collar employees who are graduates of tertiary education in medium and long term.

The SSI will implement a vocational rehabilitation program to help individuals receiving permanent disability income or disability pensions return to the labor market. The project aims to ensure the post-accident integration of insured individuals exposed to the risk of work accidents within the social security system into working life and to finance vocational rehabilitation services within a broader social policy perspective.

**i. Activities planned in 2026:**

- To monitor the National Employment Strategy Action Plans, Monitoring and Evaluation Committee meetings/monitoring activities are planned to be held twice a year.
- Workshops and stakeholder meetings are planned to be held as part of the preparations for the National Just Transition Strategy.
- It is planned to prepare 3 UMS and 2 UY within the scope of green transformation, 3 UMS and 2 UY within the scope of digital transformation.
- 35,000 young people within the age group of 15-24 will benefit from the On-the-Job Training Programs.
- 1,443,500 individual interviews for female job seekers will be applied.
- Individual counselling for young people with NEET potential will be provided for 63,500 persons.
- Within the scope of coaching for persons with disabilities, 291,000 individual interviews will be held.
- 180,000 people will benefit from the Labor Adaptation Program.
- 250,000 people will benefit from the İŞKUR Youth Program
- Among the households without employees, 20,000 of them will benefit from İŞKUR services.
- The REWORK Project will be launched and project awareness activities (conferences, workshops, and country visits), the establishment of the project software infrastructure, and vocational rehabilitation specialty certification training for 55 technical personnel will be provided.

**ii. Activities planned in 2027:**

- To monitor the National Employment Strategy Action Plans, it is planned to hold Monitoring and Evaluation Committee meetings/monitoring activities twice a year.
- It is planned to publish the National Just Transition Strategy.

- 37,500 young people within the age group of 15-24 will benefit from the On-the-Job Training Programs.
- 1,472,000 individual interviews for female job seekers will be applied.
- Individual counselling for young people with NEET potential will be provided for 65,000 persons.
- Within the scope of coaching for persons with disabilities, 297,000 individual interviews will be held.
- 180,000 people will benefit from the Labor Adaptation Program.
- 250,000 people will benefit from the İŞKUR Youth Program.
- Among the households without employees, 20,000 of them will benefit from İŞKUR services.
- It is planned to provide vocational rehabilitation services to 600 insured people who have had a work accident, selected according to the criteria determined in the context of the REWORK Project.

**iii. Activities planned in 2028:**

- To monitor the National Employment Strategy Action Plans, it is planned to hold Monitoring and Evaluation Committee meetings/monitoring activities twice a year.
- To monitor the National Just Transition Strategy, it is planned to hold Monitoring and Evaluation Committee meetings/monitoring activities twice a year.
- 40,000 young people within the age group of 15-24 will benefit from the On-the-Job Training Programs.
- 1,501,500 individual interviews for female job seekers will be applied.
- Individual counselling for young people with NEET potential will be provided for 66,250 persons.
- Within the scope of coaching for persons with disabilities, 303,500 individual interviews will be held.
- 180,000 people will benefit from the Labor Adaptation Program.
- 250,000 people will benefit from the İŞKUR Youth Program.
- Among the households without employees, 20,000 of them will benefit from İŞKUR services.
- It is planned to provide vocational rehabilitation services to 600 insured people who have had a work accident, selected according to the determined criteria determined in the context of the REWORK Project and raise awareness about vocational rehabilitation among 1,200 people from the stakeholder institutions, to conduct project impact analysis, to create policy recommendation texts and to establish a system for vocational rehabilitation.

## 2. Results Indicators:

Indicator	Current Situation (1)	2026 (2)	2027 (2)	2028 (2)
Number of Young People Benefiting From On-the-job Training Programs	718,310	35,000	37,500	40,000
Number of individual interviews applied for female job seekers (3)	8,036,139	1,443,500	1,472,000	1,501,500
Number of people benefited from individual counselling for young people with NEET potential (3)	722,906	63,500	65,000	66,250
Number of individual interviews applied under coaching for persons with disabilities (3)	1,642,350	291,000	297,000	303,500
Number of people benefiting from labor force adaptation program	150,822	180,000	180,000	180,000
Number of households benefiting from İŞKUR services among the households without employees	72,243	40,000	40,000	40,000
Number of people benefiting from İŞKUR youth program	82,455	250,000	250,000	250,000
Number of UIS (2025-2028) Monitoring and Evaluation Committee meetings/activities conducted	1	2	2	2
Preparation and approval of the National Just Transition Strategy (number of approved documents)	0	0	1	2
The number of national occupational standards prepared within the scope of green transformation	49	3	-	-
The number of qualifications prepared within the scope of green transformation	49	2	-	-
The number of national occupational standards prepared within the scope of digital transformation.	29	3	-	-
The number of national qualifications prepared within the scope of digital transformation.	27	2	-	-
Number of insured individuals provided vocational rehabilitation services	0	600	600	-
Number of tools developed for coordination and cooperation among relevant stakeholders	0	-	-	1
Number of certified vocational rehabilitation specialists (at least half of whom are women)	0	55	-	-

Number of individuals participating in awareness-raising activities (1,250 women, 1,250 men)	0	-	1,200	1,300
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(1) Realization data (current situation) is cumulative and includes data as of October 2025.

(2) The targets for 2026, 2027 and 2028 are not cumulative but year-based. (The number of Households Benefiting from İŞKUR Services only from Households without Employees is cumulative).

(3) In ERP (2025-2027) period, "Number of individual consultations conducted for women seeking employment," "Number of individuals benefiting from individual counseling services for young people with NEET potential," and "Number of individual interviews conducted under the scope of disability job coaching" have been defined as performance indicators in the İŞKUR 2024-2028 Strategic Plan and have become routine service delivery models starting from 2024. These activities are carried out by provincial directorates in line with the targets set each year. In addition, the processes and standards of the activities in question have been determined and are offered as standard in each unit. In this respect, it is necessary to consider these routine applications as reformed areas rather than economic reforms and to define them as routine activities.

**3. Expected impact on competitiveness:** The preparation of the National Just Transition Strategy will support the greening of production processes through just transition policies and investments in skills development and reskilling programs for the workforce, while also contributing to strengthening the economy's technological, innovation, and R&D capacity, as well as safeguarding competitiveness and employment.

In this context, investments made directly in sectors and enterprises, alongside those implemented through sector-government and sector-university cooperation, are considered essential for achieving rapid and effective outcomes.

Furthermore, measures to be taken to address the direct impacts of climate change and disaster risks are expected to enhance social and sectoral resilience and to protect and improve social welfare. The implementation of such measures is also of critical importance for strengthening the sustainability and resilience of supply chains.

#### **4. Estimated cost of the activities and the source of financing:**

**2026:** 84,455,080,750 TL – 1,555,524,829 euros

(Central Budget + Other National Public Finance Sources + IPA Fund)

**2027:** 98,999,194,945 TL – 1,675,443,052 euros

(Central Budget + Other National Public Finance Sources + IPA Fund)

**2028:** 96,515,586,717 TL – 1,540,343,306 euros

(Central Budget + Other National Public Finance Sources + IPA Fund)

**5. Expected impact on social outcomes, such as employment, poverty reduction, equality between women and men and access to health care:** It is expected that the National Employment Strategy (2025-2028) will contribute to constituting qualified human resources with a focus on digitalization and green transformation in order to strengthen the education-employment relationship in Türkiye and adapting to the changing competitive conditions of working life; creating a working environment where decent work conditions are applied, fundamental human rights are guaranteed in working life and an understanding of occupational health and safety is ensured; providing registered and secure employment of all segments of the society, especially the groups that require special policies, maintaining inclusive and sustainable employment in rural areas, improving the working and living conditions.

With the National Just Transition Strategy to be prepared, it is envisaged to ensure the harmony of skills required by the labor markets and green and digital transformation, and to contribute to the emergence of opportunities while minimizing the negative effects on society, especially workers. Within this framework, it is expected that the created just transition policies

will be beneficial in terms of the continuation of economic growth and increasing employees' welfare, the sustainability of employment, efficient utilisation of resources under rapidly changing economic conditions, provision of environmental sustainability, job security, the protection and development of social protection and occupational health and safety standards. The strategy is also expected to contribute to increasing the resilience of the labor market through preventive measures against risks resulting from economic shocks, climate change, disasters and technological transformation.

The aim is to support increased employment by improving job seekers' professional knowledge and skills and making the workforce more qualified. The goal is to identify individuals' needs through career counseling services and match suitable people with suitable jobs. Within this scope, an increase in employment of 834,600 is projected, with 273,300 in 2026, 278,200 in 2027, and 283,100 in 2028. The contribution of these reforms to overall employment is estimated to be 2.56 percent.

It is estimated that the new professional standards and competencies to be created in the fields of green and digital transformation will support the provision of qualified labor to the labor market in these areas; the created NVSs and NQs will support the alignment between education and employment and support individuals to develop themselves in these areas.

Transition to employment for young people who are disadvantaged in labor market will be facilitated by increasing the employability of labor force through on-the-job training programs.

In the scope of job and vocational counselling, services are provided for women, NEETs, persons with disabilities who are disadvantaged in the labor market.

Increasing the employment of groups that require special policies facilitates the participation of these groups to both economic and social life. This is an important tool in the combat against poverty.

In addition, prioritizing groups such as women, persons with disabilities and NEETs will contribute to social equality and justice.

It is envisaged to ensure participation in employment, poverty reduction, social inclusion and indirect deduction of crime through the provision of customised İŞKUR services by job and vocational counselors to households without any employees.

Within the scope of REWORK Project, it will contribute to the continuity of employment by ensuring and/or protecting job security for employees in the labor market. Vocational rehabilitation services are not currently offered institutionally in Türkiye. Consequently, a new healthcare service will be introduced. The project plans to provide vocational rehabilitation services to individuals who have experienced a work-related accident. Furthermore, it will also enable insured individuals and/or citizens who suffer from occupational diseases, are disabled, or have a disability status but are not included in the social security system to benefit from these services. An infrastructure will be created to ensure equal opportunities for participation in employment.

**6. Expected impact on environment and climate change:** Any negative impact regarding implementation of the measure is not foreseen.

One of the implementation areas of the labor force adaptation program is to support activities related to green transformation. It is expected to make a positive contribution to environmental and climate-change related issues.

It is envisaged that the National Just Transition Strategy, which is envisaged to be prepared with the actions prepared on the axis of green and digital transformation within the scope of the National Employment Strategy, will be supported in terms of adaptation to the direct effects of climate change and the formation of the qualified workforce required for the implementation of mitigation policies within the scope of measures to combat climate change. In the process of transition to a circular and green economy, it is aimed to ensure environmental and social sustainability and resilience to the impacts of climate change through the harmonization of labor market policies, protection of biodiversity, energy and water efficiency.

It is evaluated that the SIs prepared within the scope of green transformation will provide higher environmental performance in areas such as energy efficiency, waste management and sustainable production, and will support improvement in these areas by making environmentally friendly practices mandatory. It is evaluated that NVSs and NQs, which will provide input to education curricula and be prepared in line with the needs of the labor market, will have an indirect effect of increasing resource efficiency and reducing the pressure on the ecosystem.

## 7. Potential risks:

Risk	Probability	Planned mitigating action
Disruption of the balance in the local labor market	Medium	Providing more intensive and in-depth employer services provided by the institution
Spending institutional efforts to reach the people who do not need to benefit from existing services of institution	Low	Trying to create a common information network with different institutions at the maximum level by reflecting the existing administrative records to the institution's systems in the most up-to-date and accurate way
Reluctance of the target group to participate in the labor force	Medium	Providing specialized service delivery based on household
Reluctance of other public institutions to share data	Medium	Emphasizing the importance of the relevant program to other public institutions
Failure of the institutions responsible for the actions included in the National Employment Strategy Action Plan to adequately carry out their activities	Medium	Emphasizing the importance of the issue to responsible institutions during monitoring and evaluation activities
Insufficient implementation of activities by institutions responsible for actions included in the National Just Transition Strategy	Medium	Conducting awareness and capacity building activities for institutions to prepare and implement strategies, and carrying out development activities based on the results of monitoring and evaluation processes

Technological developments and sectoral needs in the field of green and digital transformation are faster than the process of creating professional standards	Low	Monitoring the work through the Digital Transformation and Artificial Intelligence Advisory Board and the Green Transformation and Smart Agriculture Advisory Boards.
Inadequate communication and cooperation between relevant institutions during the implementation of the Action (REWORK Human and Organization)	Medium	Organizing information activities on the benefits of the participatory process and increasing cooperation among stakeholders.

### **iii. Social Protection and Social Inclusion**

#### **a) Analysis of main obstacles**

Türkiye has made significant progress not only in combating poverty and promoting human development, but also in the field of social policy, where human well-being and equality are recognized as fundamental principles since the 2000s.

One of Türkiye's key priorities is to establish national-level policies and strategies to ensure that persons with disabilities can participate in social life by exercising their human rights without discrimination, as well as to develop and diversify social service activities targeting persons with disabilities. In this context, the Ministry of Family and Social Services is responsible for promoting and ensuring the full and equal enjoyment of all human rights and fundamental freedoms by persons with disabilities, as well as for monitoring the implementation of the Convention on the Rights of Persons with Disabilities (CRPD), and carries out efforts to align legislation, policies, public services, and resources with the CRPD. Within the framework of the 2030 Barrier-Free Vision Document prepared to guide policies to be developed for persons with disabilities, the National Action Plan on the Rights of Persons with Disabilities has been prepared. Under this Plan, implementation has begun for 316 activities within 107 action areas addressing 31 objectives that take into account the disability-related needs of persons with disabilities.

Under the "Economic Security" policy area of the National Action Plan on the Rights of Persons with Disabilities, there are objectives aimed at strengthening the economic status of persons with disabilities, while under the "Inclusive Education" policy area, the objective of taking measures to facilitate the transition of persons with disabilities to secondary education, vocational education, higher education, employment and lifelong learning environments is included.

On the other hand, day care services provided in Türkiye are an important social service model for persons with disabilities and older persons. Day care centers improve the quality of life and contribute to the leisure time of persons with disabilities and older persons living at home or with their families by offering various activities that help meet their psychological, social, and health needs. These centers provide opportunities for relatives who provide full-time care to persons with disabilities and older persons to participate in the active labor market.

Day care centers aim to enhance the personal development of persons with disabilities and older persons to provide them acquire various skills through daily life activities. Educational, social, cultural, and sporting activities are organized to facilitate these persons' participation in social life. In day care centers, half or full day care is provided during working hours on weekdays. As of October 2025, 2545 persons with disabilities received service in 37 day care centres, 600 elderly received service in 42 day care centres.

Home care allowance, which is carried out within the scope of the Additional Article 7 of the Social Services Law No. 2828, was initiated with the idea of supporting the disabled individuals in need of care primarily with their families. In order to benefit from this service, persons with disabilities must certify that they are severely disabled/fully dependent with a Health Board Report for the Disabled, and income per capita in the household should be less

than 2/3 of the minimum wage (14,736.45 TL for the year 2025). 521,057 persons benefit from home care allowance as of September 2025.

The Social and Economic Support (SED) Service, one of the most important service models of the child protection mechanism, is provided by the Ministry of Family and Social Services. The Ministry provides social and economic support services with the aim of meeting children's needs, strengthening families, preventing temporary social and economic inconvenience, ensuring that children are cared for and supported alongside their biological families or relatives, and promoting equality of opportunity. In addition to strengthening families economically, it is based on providing psychosocial support. It is essential that school-age children supported through the SED Service are also strengthened academically, socially, culturally, artistically, and in sports. Within the scope of the SED service, children are cared for alongside their families without being taken under institutional protection, and economic support is provided for a maximum of two children from the same household. Children who are subject to a protection order and placed under the care of social service institutions, and who may be taken in by their families or relatives if supported, are also eligible for support.

Beneficiaries receiving temporary economic support are monitored periodically at three-month intervals. Temporary economic support payments are discontinued if the reason requiring the provision of economic support ceases to exist or if it is determined that the beneficiary can sustain their life through their own means. As of November 2025, a total of 182,002 children benefit from the SED Service. As of October 2025, the total amount paid under the SED Service has reached 14 billion TL. A maximum of two children per household are supported alongside their family.

In order to increase the effectiveness of the SED Service, raise awareness among families regarding child-related issues, and provide children with environments and opportunities to spend their out-of-school time in a qualified and productive manner, the Project for Increasing the Effectiveness of the SED Service (School Support Project) is being implemented. Within the scope of the project, academic, social, cultural, and sports activities are organized for secondary and high school students benefiting from the SED Service, enabling children's leisure time to be structured in a way that supports their development and protects them from negative environments, groups, social circles, and associated risks. In all 81 Provincial Directorates, expert personnel involved in the School Support Project assess the needs of children and families on an individual basis, taking into account personal, cultural, and geographical characteristics.

#### **iv. Health Care**

##### **a) Analysis of main obstacles**

In 2024, the total number of physicians in Türkiye was 221,133, the total number of dentists was 50,434, the number of nurses was 264,857, and the number of midwives was 61,618. In the same year, the number of physicians per 100,000 population was 258, while the number of nurses and midwives per 100,000 population was 381.

As of the end of 2024, primary healthcare services are provided in 8,228 Family Health Centers (FHCs) and 28,845 Family Medicine Units (FMUs). In 2024, 101 new FHCs and 856 new FMUs were opened. The working areas of family physicians are determined so that, on average, there is one family physician for every 3,000 people.

For settlements where access to healthcare is difficult, such as towns, villages, hamlets, and remote neighborhoods, “mobile healthcare services” are planned and provided. As of the end of 2024, 7,452 FMUs delivered mobile healthcare services to 5,633,125 people. In the primary healthcare investment program, which includes FHCs, Healthy Life Centers, and Public Health Centers, there are 1,202 facilities. Of these, 461 are under construction, 628 are in the project phase, and 113 are at the tender stage.

The number of hospitals under the Ministry of Health increased from 933 in 2023 to 941 in 2024. As of the end of 2024, the number of university hospitals is 69 and private hospitals is 552. The number of hospital beds under the Ministry of Health, universities, and the private sector reached a total of 268,359 in 2024. Compared to 2023, the number of beds changed from 167,649 to 169,834 in Ministry of Health hospitals, from 43,878 to 44,131 in university hospitals, and from 55,067 to 54,394 in private hospitals. The total number of intensive care beds as of the end of 2024 is 49,010.

Compared to 2023, the total number of MRI devices in hospitals increased from 1,001 to 1,031 in 2024, CT devices from 1,359 to 1,379, ultrasound devices from 5,750 to 5,867, Doppler ultrasound devices from 8,053 to 8,630, and echocardiography (ECHO) devices from 3,127 to 3,277.

At the request of other countries, short-term professional training opportunities are provided for foreign healthcare personnel in observer status at training and research hospitals affiliated with the Ministry, aiming to enhance their professional skills. Support is also provided to countries requesting to review our healthcare system, including sharing experiences. As of 31 December 2024, there are 293 agreements in force with 97 countries and 3 international organizations.

In order to strengthen the emergency healthcare system, pre-hospital emergency medical services have been expanded nationwide to cover all rural areas, reaching 3,574 stations. Services are provided with 6,308 emergency ambulances. There are 15 helicopter ambulances, 1 airplane ambulance, 6 sea ambulances, 21 ambulances equipped with a snow plow, and 230 ambulances that can be fitted with snow plow. In the first ten months of 2025, 4,231 citizens were transported to healthcare facilities by air ambulances.

To facilitate the transport of obese patients and intensive care patients during major accidents and mass casualty events, due to their medical equipment and spacious interiors, there are 62 four-stretcher ambulances and 92 intensive care/obese ambulances. To provide services in situations where standard ambulances cannot reach due to narrow streets or heavy traffic, there are 57 motorcycle ambulances. Additionally, 50 neonatal ambulances are in service to transport newborn patients.

A Prenatal Care Management Guide has been prepared. According to the guideline, pregnant women are monitored during four different periods. In 2024, the average number of follow-up visits per pregnant woman was 3.5. There are a total of 434 pregnancy schools operating within healthcare facilities affiliated with the Ministry. In 2024, a total of 1,022,738 pregnant women received training through pregnancy education classes. In the same year, the percentage of pregnant women who received iron supplementation was 91.9 percent, while the percentage who received vitamin D supplementation was 92.4 percent. The maternal mortality rate (per 100,000 live births) decreased from 13.4 in 2023 to 11.5 in 2024. During 2024, premarital counseling services were provided to 774,111 individuals. Pregnant women may benefit from pregnancy education services offered by Pregnancy Schools and Childbirth Preparation and Counseling Centers located within the Ministry's secondary and tertiary healthcare institutions.

All infants are provided with free iron and vitamin D supplementation from the fourth month to one year of age. In 2024, a total of 2,000,000 iron preparations and 2,500,000 vitamin D supplements were distributed nationwide to the provinces. The infant mortality rate (per 1,000 live births) decreased from 9.7 in 2023 to 8.9 in 2024. Significant measures have been implemented within the scope of the Normal Birth Action Plan. When examining primary cesarean rates across 81 provinces, a decrease has been observed in 51 provinces since the start of the action plan.

Cancer Early Diagnosis, Screening and Training Centers (KETEM) continued to operate with 423 centers, including 48 mobile units, as of the end of 2024. At the end of 2024, the breast cancer screening rate was 44.3 percent. Cervical cancer screening reached 89.4 percent, and colorectal cancer screening reached 30.4 percent. Over the past year, a total of 5 million citizens underwent cancer screening, and 19,000 were diagnosed with cancer at an early stage. Through the Disease Management Platform, the obesity screening rate was 24 percent and the diabetes screening rate was 62 percent in 2024.

The number of organ donors who obtained an organ donation card reached 52,331 in 2024, bringing the total number of organ donors to 753,919. In dialysis services, 67,129 patients were monitored through the dialysis tracking system in 955 dialysis centers. In 33 provinces authorized to provide home hemodialysis, 94 dialysis centers received permission to implement home hemodialysis, enabling 1,383 patients to receive home hemodialysis services. As of the end of 2024, the total number of patients reached through home healthcare services was 2,780,050. Nationwide, mobile screening teams conducted X-ray screenings for 287,757 individuals in 2024. Over the past year, 35 million citizens underwent chronic disease screenings, and 7.3 million people received a new diagnosis.

Addiction and rehabilitation services are provided through 119 Adult Detoxification Centers (AMATEM), including 49 inpatient centers with a total of 1,246 beds and 70 outpatient centers. For children and adolescents, 24 Child and Adolescent Substance Addiction Treatment and Training Centers (ÇEMATEM) operate, including 15 inpatient centers with 255 beds and 9 outpatient centers. In 2024, two additional ÇEMATEM centers affiliated with the Ministry were opened. As of 2024, services are provided at 565 Smoking Cessation Clinics. In 2024, a total of 150,467 consultations were conducted at these clinics.

To prevent secondary traumatization of children suspected of sexual abuse during judicial processes, Child Monitoring Centers (ÇİM) provide specialized services. These centers offer conditions that allow all judicial, medical, and psychosocial procedures to be carried out in a single session. With the opening of ÇİM in 4 additional provinces in 2024, services are now provided through 74 ÇİM across 70 provinces.

Citizen-focused initiatives are being carried out to strengthen the health system by increasing the use of information technologies in healthcare delivery and decision-making processes. Citizens are enabled to access their own health records online. In digital health, systems such as e-Nabız, e-Rapor, e-Reçete, MHRS, and others are used to collect health data efficiently, making it accessible to both healthcare personnel and citizens.

## 5.4. Summary of Structural Reform Measures

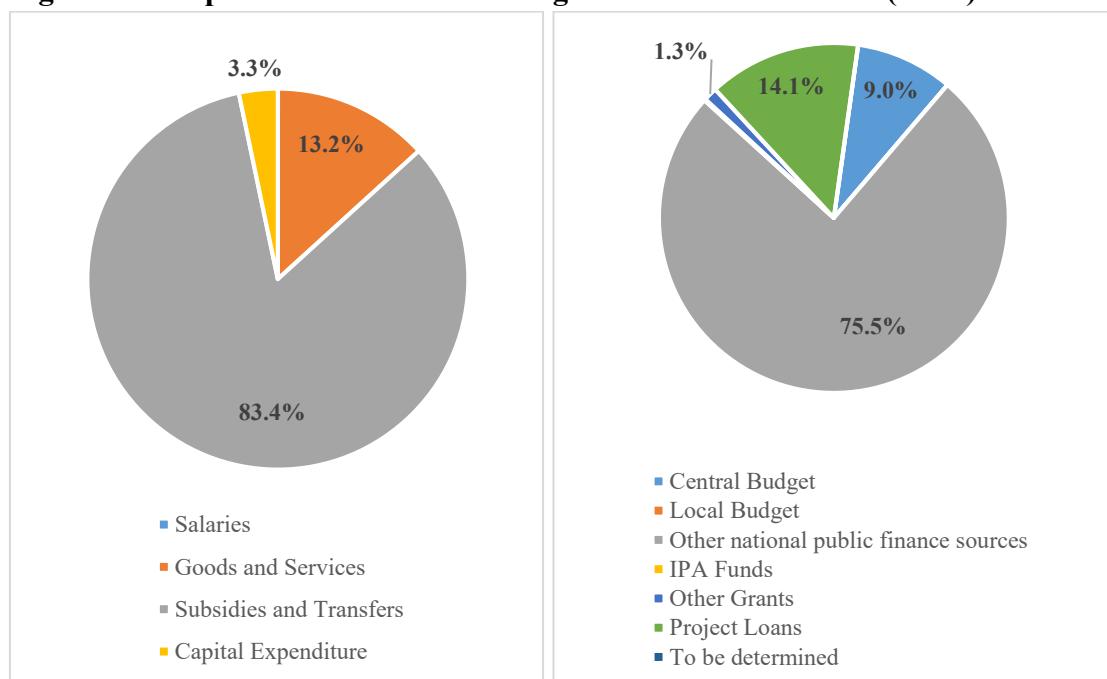
Reform Measures	Basis	Institution	ERP (2025-2027) Measure Number*
<b>Competitiveness</b>			
Supporting the modernization of SMEs and increasing their efficiency and competitiveness through digital transformation and green transformation in the manufacturing industry	12th Development Plan, MTP (2026-2028)	The Ministry of Industry and Technology, KOSGEB, TÜBİTAK	1
<b>Sustainability and Resilience</b>			
Accelerating green transformation	12th Development Plan, MTP (2026-2028)	The Ministry of Environment, Urbanization and Climate Change	3
Enhancing digitalisation-oriented investments in industries	12th Development Plan, MTP (2026-2028)	The Ministry of Industry and Technology	New reform recommendation
<b>Human Capital and Social Policies</b>			
Skill-based updating of curriculum and strengthening vocational training centers	12th Development Plan	The Ministry of National Education	5
Enhancing and improving the employment services in line with the needs of the labor market	12th Development Plan, MTP (2026-2028)	The Ministry of Labor and Social Security, İŞKUR, VQA	6

\*All measures are updated according to European Commission Guidance, it shows the relevant measures from ERP (2025-2027).

## 6. THE COST AND FINANCING OF STRUCTURAL REFORMS

A total of 6 structural reform measures will be implemented in the ERP (2026-2028). Approximately 6.4 billion euros additional costs are envisaged for the implementation of these measures. Analyzing the breakdown of the cost, subsidies and transfers have the highest share about 5.3 billion euros. 83.4 percent of the cost items consist of subsidies and transfers, 13.2 percent of goods and services, 3.3 percent of capital expenditure. Considering the financing sources, 75.5 percent of this additional cost will be financed by the other national public finance sources, 14.1 percent by project loans, 9.0 percent by central budget, and 1.3 percent by other grants (Figure 6.1).

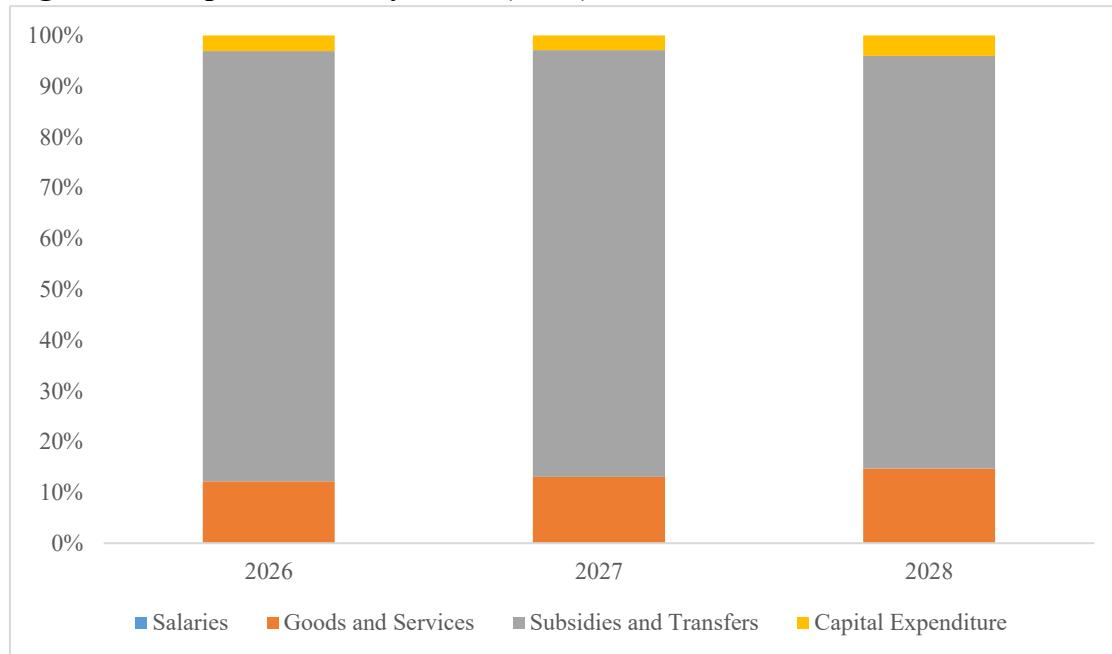
**Figure 6.1: Expected Cost and Financing of Structural Reforms (Euro)**



No significant change is foreseen in the shares of cost items by years (Figure 6.2). The highest share of cost items stand out as the subsidies and transfers. Throughout the program, measures that will mostly cause subsidies and transfers and goods and services related cost are included.

In the program period, the resources transfer mostly to the measure numbered 6 ***“Enhancing and improving the employment services in line with the needs of the labor market”*** and numbered 2 ***“Promoting sustainable tourism and branding”***, respectively. In this context, a reform agenda has been determined in which both economic and social developments are prioritized for sustainable development process, efficiently. In the medium and long term, it is expected to increase both employment and competitiveness through these measures in Turkish economy.

**Figure 6.2: Expected Cost by Years (Euro)**



## **7. INSTITUTIONAL ISSUES AND STAKEHOLDERS INVOLVEMENT**

Development plans are the main policy documents setting out medium to long-term economic and social policy priorities in Türkiye. They have a guiding role in ensuring that existing resources are used efficiently and that resources are directed to the highest value added areas in economic and social terms through managing Türkiye's sustainable development process with a strategic approach. In this direction, the 12<sup>th</sup> Development Plan (2024-2028), which is a roadmap for a 5-year period with the long-term perspective of 2053, has been prepared by taking into account the opinions of various segments of society. During the preparation of the 12<sup>th</sup> Development Plan, 87 different ad-hoc committees and working groups were set up in order to obtain the opinions and suggestions from several parts of society. Approximately 8,500 representatives from the public sector, private sector, academia and non-governmental organisations participated in these meetings and contributed to the ongoing studies. In addition, high-level participatory meetings were held with relevant public institutions, academia, civil society organizations, professional associations and the business community. An online citizens' survey was conducted with the participation of some 43,000 citizens. Based on the results of these participatory meetings and the citizens' survey, the draft plan was prepared under the coordination of the Presidency of the Republic of Türkiye Presidency of the Strategy and Budget and shared with the relevant institutions for their comments. After the final revisions, the latest version of the Plan was submitted to the TGNA by the Presidency of the Republic of Türkiye and approved by the General Assembly of the TGNA on 31 October 2023, and entered into force after being published in the Official Gazette on 1 November 2023.

In consultation with all relevant institutions, ERP (2026-2028) has been prepared based on the 12<sup>th</sup> Development Plan (2024-2028) and the Long-Term Development Strategy (2024-2053), MTP (2026-2028) and 2026 Presidential Annual Program. The ERP (2026-2028), which is prepared in accordance with these top policy documents with the contributions of all relevant public institutions and organisations under the coordination of Presidency of the Republic of Türkiye, the Presidency of Strategy and Budget, is submitted to the European Commission after the approval of the Presidency.

Following the update of the ERP guideline by the European Commission, a launch meeting is organized traditionally each year with the representatives of relevant public institutions and organizations. At these meetings, organized by the ERP country coordinator, the documents previously submitted to institutions for the ERP process are presented and opinions are exchanged on expectations and possible contributions. In addition, several workshops are organized throughout the year in cooperation with the Presidency of the Republic of Türkiye Presidency of the Strategy and Budget and the Centre of Excellence in Finance (CEF) to ensure that the contributions to be prepared for the structural reform part of the program are in line with the guidelines. As part of the preparations for 2025, successful workshops were held on 3-4 July 2025 and 4-5 December 2025 with the participation of all relevant public institutions and organisations in cooperation with CEF. The implementation process of ERP was improved at the July workshop and the framework of measures was

improved by detailing the impact assessment of the measures in a workshop held in December. In the process that followed the meeting, the institutions' work on improving the measures in the ERP was carried out in mutual communication with the Strategy and Budget experts.

In addition, the structural reforms section of the ERP was presented to the views of civil society organizations in order to formulate the structural reforms section of the document through consultation with NGOs ensuring a participatory approach. The draft was sent to the organizations such as TOBB, TİM, TÜSİAD, MÜSİAD and YASED, which also actively contribute to the YÖİKK activities. In line with the contributions received, improvements have been made to the text, while some of the recommendations were assessed as requiring preliminary work for future consideration and therefore deemed appropriate to be included within the scope of the ERP in subsequent periods (Annex Table 3). In this context, as a result of these consultations with relevant institutions, the updated contributions were finalized by early January 2026.

The contributions of the stakeholders, including past realizations and commitments for the future within the framework of the main policy documents, were all submitted to the Presidency of Strategy and Budget as the ERP coordinator afterwards. In this way, all related institutions are actively involved in the ERP process, monitoring, and evaluation of commitments.



## **ANNEX TABLES**



**Table 1.a: Macroeconomic Prospects**

	ESA Code	2024	2024	2025	2026	2027	2028
		Level (Billion TL)				Rate of Change	
1. Real GDP, Chained volume	B 1 * g	2337.1	3.3	3.3	3.8	4.3	5.0
2. GDP, at current prices	B 1 * g	44587.2	64.6	39.5	24.2	15.7	13.4
<b>Components of Real GDP (Chained volume, Percentage Change)</b>							
3. Private Consumption Expenditure	P3	1608.9	4.3	2.4	3.2	3.6	4.1
4. Public Consumption Expenditure	P3	295.9	-0.8	3.4	4.8	5.5	6.0
5. Gross Fixed Capital Formation	P51	595.3	2.7	4.6	4.0	4.2	4.9
6. Changes in Inventories and Net Acquisition of Valuables*	P52+P53	---	-1.2	0.4	0.0	0.0	0.0
7. Exports of Goods and Services	P6	539.0	0.1	1.8	3.4	3.8	4.4
8. Imports of Goods and Services	P7	468.7	-4.4	3.8	3.8	3.6	3.9
<b>Contribution to Real GDP Growth (Percentage Points)</b>							
9. Final Domestic Demand	---	---	2.4	3.6	3.8	4.2	4.8
10. Changes in Inventories and Net Acquisition of Valuables*	P52+P53	---	-1.2	0.4	0.0	0.0	0.0
11. External Balance on Goods and Services	B11	---	1.0	-0.3	0.0	0.1	0.2

\* Contribution to growth

**Table 1.b: Price Developments**

Percentage Change	ESA Code	2024	2025	2026	2027	2028
1. GDP Deflator, Yearly Average	---	59.3	35.0	19.7	10.9	8.0
2. CPI, Year-End	---	44.4	28.5*	16.0	9.0	8.0

Year-end inflation in 2025 was recorded at 30.9 percent.

**Table 1.c: Labor Market Developments**

	ESA Code	2024	2024	2025	2026	2027	2028
		Level	Rate of Change, Percent				
1. Population (Thousand, Mid-year)	---	85,518	0.2	0.4	0.7	0.5	0.5
2. Working Age Population (Thousands)	---	65,926	0.8	0.7	0.9	0.8	0.8
3. Labor Force Participation Rate (%)*	---	54.2	0.9	-0.5	0.7	0.7	0.9
4. Employment, Persons (Thousands) **	---	32,620	3.1	0.0	2.2	2.4	2.9
5. Unemployment Rate (ILO Definition)	---	8.7	-0.7	-0.2	-0.1	-0.2	-0.4
6. Labor Productivity Growth	---		0.2	3.3	1.5	1.9	2.0

\* Represents percentage point increase with respect to the previous year.

\*\* 15+ years-old.

**Table 1.d: Balance of Payments**

Percentage of GDP	ESA	2024	2025	2026	2027	2028
1. Current Account	---	-0.8	-1.4	-1.3	-1.2	-1.0
- Balance of Goods	---	-4.1	-4.5	-4.4	-4.4	-4.2
- Balance of Services	---	4.5	4.1	3.9	4.0	4.0
- Balance of Primary Income	---	-1.2	-1.0	-0.9	-0.8	-0.8
- Balance of Secondary Income	---	0.0	0.0	0.0	0.0	0.0
2. Capital and Financial Account (Including Reserves)	---	-1.6	-2.7	-1.3	-1.2	-1.0
Statistical Discrepancy	---	-0.8	-1.3	0.0	0.0	0.0

Source: Realization CBRT, forecast Presidency of Strategy and Budget and MoTF

**Table 1.e: GDP, Investments and Gross Value-Added**

	ESA Code	2024	2025	2026	2027	2028
GDP, Current Prices, Billion TL	B 1 * g	44587.2	62179.1	77257.4	89406.2	101397.2
Investment Ratio, Percentage of GDP, %	---	31.3	31.9	31.8	31.8	32.0
<b>Value-Added by Sectors (Chained Volume, Percentage Change)</b>						
1. Agriculture	---	5.1	-1.0	2.5	2.7	3.0
2. Industry	---	0.2	2.8	4.0	4.6	5.3
3. Services	---	3.6	3.8	3.9	4.4	5.1

**Table 2: General Government Budgetary Prospects**

(Percent of GDP)	ESA Code	2024	2025	2026	2027	2028
<b>Net Lending (B9) by sub-sectors*</b>						
1. General Government	S13	4.6	3.1	3.1	2.7	2.6
2. Central Government	S1311	4.6	3.2	3.6	2.7	2.4
3. Funds	S1311	0.0	-0.1	-0.1	0.4	0.4
4. Local Administration	S1313	0.4	0.0	0.0	0.1	0.4
5. Social Security Fund	S1314	0.0	0.4	0.1	-0.1	-0.2
6. Revolving Funds	S1311	-0.1	-0.1	-0.1	-0.1	-0.1
7. Unemployment Fund	---	-0.4	-0.3	-0.3	-0.3	-0.3
<b>General Government (S13)</b>						
8. Total Receipts	TR	31.1	31.5	33.2	33.2	33.2
9. Total Expenditures	TE	35.7	34.6	36.3	35.9	35.7
10. Net Lending	EDP.B9	4.6	3.1	3.1	2.7	2.6
11. Interest Payments	EDP. D41+FISIM	3.0	3.5	3.7	3.5	3.4
12. Primary Balance	---	-1.7	0.3	0.6	0.9	0.9
<b>Components of Revenues</b>						
13. Taxes	---	16.5	17.4	18.2	18.2	18.3
14. Social Funds	D61	8.3	8.1	8.7	9.0	9.0
15. Factor Incomes	D4	4.4	4.0	3.8	3.6	3.5
16. Other	---	1.9	2.0	2.5	2.4	2.3
17. Total Receipts	TR	31.1	31.5	33.2	33.2	33.2
<b>Components of Expenditures</b>						
18. Total Consumption	P32	15.0	15.0	15.6	15.7	15.8
19. Total Social Transfers	D62+D63	6.3	6.4	6.7	7.1	7.0
20. Interest Payments	EDP. D41+FISIM	3.0	3.5	3.7	3.5	3.4
21. Subsidies <sup>(1)</sup>	D3	0.9	1.0	0.8	0.7	0.6
22. Gross Fixed Capital Formation	P51	2.9	2.7	2.4	2.6	2.7
23. Other	---	7.6	6.1	7.1	6.3	6.2
24. Total Expenditures	TE	35.7	34.6	36.3	35.9	35.7

\* (+) refers to deficit, (-) refers to surplus.

(1) Includes agricultural support, duty losses of SEEs and Support and Price Stability Fund.

**Table 3: General Government Debt Developments**

ESA Code	2024	2025	2026	2027	2028
<b>Percentage of GDP (Percent)</b>					
1. Gross Debt	---	23.6	24.6	24.7	24.7
2. Change in Gross Debt	---	---	1.0	0.1	-0.5
<b>Contributions to Change in Gross Debt (Percentage Points)</b>					
3. Primary Balance	---	1.7	-0.3	-0.6	-0.9
4. Interest Expenditure	EDP D.41	3.0	3.5	3.7	3.6
5. Current GDP Growth	---	-15.2	-9.7	-6.0	-3.9
6. Other	---	6.0	7.6	3.0	1.2

**Table 4: Cyclical Developments\***

	2024	2025	2026	2027	2028
1. Real GDP Growth (2009=1000 Chained Volume, %)	3.3	3.3	3.8	4.3	5.0
2. Net Lending of General Government / GDP (%) <sup>1**</sup>	4.6	3.1	3.1	2.7	2.6
3. Interest Expenditure / GDP (%)	3.0	3.5	3.7	3.5	3.4
4. One-off and other temporary measures / GDP <sup>2</sup>	-2.2	-1.4	-1.1	-0.6	-0.6
5. Potential GDP Growth (%)	4.4	4.3	4.5	4.6	4.8
6. Output Gap	0.9	-0.1	-0.8	-1.1	-0.9
7. Cyclical Budgetary Component / GDP (%) **	-0.8	-0.2	0.1	0.2	0.2
8. Cyclically-adjusted balance / Potential GDP (2-7)**	5.5	3.3	3.0	2.4	2.4
9. Cyclically-adjusted primary balance / Potential GDP (8-3)**	2.5	-0.1	-0.6	-1.1	-1.0
10. Structural balance / Potential GDP (8+4)**	3.2	2.0	2.0	1.8	1.7

\*General Government

\*\* (+) refers to deficit. (-) refers to surplus.

(1) Public Claims Restructuring, Privatization, Zoning Amnesty, 2B Revenues and Other One-Off Revenues and Expenditures Included General Government Balance

(2) A plus sign means deficit-reducing one-off measures.

**Table 5: Divergence from Previous Update**

	2024	2025	2026	2027	2028
<b>GDP Growth (Percent)</b>					
Previous Update	3.5	4.0	4.5	5.0	---
Latest Update	3.3	3.3	3.8	4.3	5.0
Difference	-0.2	-0.7	-0.7	-0.7	---
<b>General Government Net Lending (Percentage of GDP)</b>					
Previous Update	4.8	2.9	2.6	2.3	---
Latest Update	4.6	3.1	3.1	2.7	2.6
Difference	-0.2	0.2	0.5	0.4	---
<b>General Government Gross Debt (Percentage of GDP)</b>					
Previous Update	25.6	25.3	25.1	24.8	---
Latest Update	23.6	24.6	24.7	24.7	24.2
Difference	-2.0	-0.7	-0.4	-0.1	---

\* Realization

**Table 6: Basic Assumptions on the External Economic Environment Underlying 2026 Pre-Accession Economic Reform Program Framework**

	2024	2025	2026	2027	2028
<b>Exchange Rates</b>					
Parity (\$/Euro)	1.08	1.14	1.16	1.16	1.16
Real Exchange Rate (Percentage Change)*	10.5	7.9	0.0	0.0	0.0
<b>GDP Growth</b>					
Euro Area (Real, Percentage Change) **	0.9	1.2	1.1	1.4	1.3
EU (Real, Percentage Change)**	1.1	1.4	1.4	1.6	1.5
<b>World Trade **</b>					
World Trade Volume Increase (Percent)	3.5	3.6	2.3	3.1	3.2
<b>International Prices</b>					
EU CPI (Percentage Change)**	2.6	2.4	2.2	2.2	2.1
US CPI (Percentage Change)**	3.0	2.7	2.4	2.2	2.2
Oil Prices (\$/Barrel)	80.5	70.0	65.0	65.1	65.6

\* (+) refers to appreciation, (-) refers to depreciation.

\*\* IMF World Economic Outlook, October 2025

**Table 7a: Contingent Liabilities, Credit Guarantee Institutions**

	Measures	Date of adoption	Credit Guarantee Risk Balance (Current exchange rate)	Maximum amount of contingent liabilities* (% of GDP)
In response to Covid-19	<b>Business Continuity Support</b>	30.03.2020 / 31.12.2020	9,158,179,629	0.015
	<b>Operating Expenses Support (OPEX)</b>	30.03.2020 / 31.12.2020	623,478,486	0.001
	<b>Check Payment Support</b>	30.03.2020 / 31.12.2020	552,061,843	0.001
	<b>Eximbank Loan Support</b>	30.03.2020 / 31.12.2020	900,000	0.000
	<b>2020 Nefes Loan</b>	23.04.2020 / 31.12.2020	1,327,859	0.000
	<b>Eximbank Stock Financing Support</b>	27.04.2020 / 31.12.2020	0	0.000
	<b>Development Investment Bank of Türkiye Loan Support Package 1</b>	14.07.2020 / 31.12.2020	383,253,133	0.001
	<b>Financial Support Program</b>	27.08.2020 / 5.02.2021	0	0.000
	<b>Tourism Support Package</b>	27.09.2020 / 31.10.2021	178,741,301	0.000
	<b>Micro SMEs Lifeline Loan</b>	23.10.2020 / 1.11.2021	51,085,975	0.000
Others	<b>2021 Nefes Loan</b>	31.05.2021 / 31.07.2021	193,200,215	0.000
	<b>Personal Loans</b>	30.03.2020 / 31.12.2020	2,091,111	0.000
		Subtotal	11,144,319,552	0.049
	<b>Additional Employment Support Package</b>	24.09.2021 / 01.07.2022	898,089,806	0.001
	<b>Manufacturing Based Import Substitution Support Package</b>	24.09.2021 / 31.12.2023	4,238,157,562	0.007
	<b>Cold Air Unit Refrigerated Vehicle Support Package</b>	24.09.2021 / 31.12.2022	56,778	0.000
	<b>Turwib</b>	30.03.2020 / 31.12.2025	2,706,253,393	0.004
	<b>Development Investment Bank of Türkiye Loan Support Package 2</b>	25.06.2021 / 31.12.2025	3,239,912,177	0.005
	<b>Export Support Package</b>	18.02.2022 / 31.12.2022	817,044,781	0.001
	<b>Support Package for Operating Expenses</b>	18.02.2022 / 31.12.2023	1,039,359,842	0.002
	<b>Investment Support Package</b>	18.02.2022 / 28.02.2023	6,280,976,630	0.010
	<b>Tea Purchase Support Package</b>	07.06.2022 / 31.12.2022	75,310,192	0.000
	<b>Construction Services Support Package</b>	07.07.2022 / 31.12.2022	277,979,630	0.000

<b>Energy Financing Support Package for Agricultural Production</b>	24.08.2022/31.12.2024	322,193,520	0.001
<b>Koop-Bakkal Project Support Package</b>	02.12.2022/31.12.2023	600,002	0.000
<b>Business Expenses Support Package</b>	15.01.2023/31.12.2023	3,285,255,459	0.005
<b>Investment-Project Finance Support Package</b>	15.01.2023/18.12.2023	7,685,938,067	0.012
<b>Manufacturing Industry Support Package</b>	1.02.2023/31.12.2024	2,563,653,561	0.004
<b>Operating Expenses Support Package for 6 February Earthquakes</b>	15.02.2023/31.12.2025	4,564,387,982	0.007
<b>Investment Support Package for 6 February Earthquakes</b>	15.02.2023/31.12.2025	2,680,859,854	0.004
<b>Regional SME Support</b>	15.02.2023/18.12.2023	0	0.000
<b>Support Package for Activities Generating Fx-Based Income</b>	15.02.2023/31.12.2023	2,241,640,068	0.004
<b>Entrepreneur Support Package</b>	15.02.2023/31.12.2023	355,899,742	0.001
<b>Support Package for Women Entrepreneurs</b>	15.02.2023/31.12.2023	269,147,419	0.000
<b>Support Package for Green Transformation and Energy Efficiency</b>	15.02.2023/31.12.2025	205,588,482	0.000
<b>Technology Support Package</b>	15.02.2023/31.12.2024	225,253,194	0.000
<b>Support Package for Digital Transformation</b>	24.02.2023/31.12.2023	747,029	0.000
<b>Educational Support Package</b>	24.02.2023/31.12.2023	43,742,163	0.000
<b>New Housing Finance Support Package</b>	27.02.2023/31.12.2023	368,649,497	0.001
<b>Housing Construction Support Package</b>	27.02.2023/31.12.2023	898,289,930	0.001
<b>EYT Support Package</b>	16.03.2023/31.12.2023	1,713,045,027	0.003
<b>Investment Support Package</b>	07.11.2023/31.12.2024	1,936,186,422	0.003
<b>Export Support Package</b>	07.11.2023/31.12.2025	3,781,399,997	0.006
<b>Support Package for Digital Transformation</b>	08.10.2024/31.12.2025	81,372,231	0.000
<b>TurYiB Support Package</b>	04.03.2025/31.12.2030	0	0.000
<b>Investment - Business Support Package</b>	15.05.2025/31.12.2026	12,754,351,956	0.021
<b>İGE 100th Year Support Package</b>	10.05.2022/31.12.2025	10,798,587,635	0.017
<b>İGE 2025 Support Package</b>	14.03.2025/31.12.2025	8,059,782,645	0.013
<b>İGE Eximbank Support Package</b>	14.03.2025/31.12.2025	9,617,678,899	0.015
<b>İGE Digital Transformation Support Package</b>	14.03.2025/31.12.2025	0	0.000
<b>KFK Investment Support Package</b>	14.03.2025/31.12.2025	4,250,000	0.000
<b>KFK Export Support Package</b>	14.03.2025/31.12.2025	1,495,489,000	0.002
<b>KFK Operating Expenses Support Package</b>	13.10.2025/31.12.2026	0	0.000
<b>Subtotal</b>		95,527,130,572	0.154
<b>Total</b>		106,671,450,124	0.172

\* It is calculated based on the 2025 year-end forecast in the MTP (2026-2028).

**Table 8a: Social Scoreboard Indicators**

	Data source	2021	2022	2023	2024	2025
<b>Equal opportunities</b>						
1. Adult participation in learning during the last 12 months, age <b>18+</b>	Eurostat	---	21.7	---	---	---
2. Share of early leavers from education and training, age <b>18-24</b>	Eurostat	23.1	21.2	19.5	18.7	---
3. Share of population with basic overall digital skills or above, age <b>16-74</b>	Eurostat	36	---	30	---	---
4. Young people neither in employment nor in education or training (NEET rate), age <b>15-24</b>	TurkStat	24.7	24.2	22.5	22.9	*
5. Gender gap in employment rate, age <b>20-64</b>	TurkStat	39.5	38.8	38.4	38.1	*
6. Income quintile share ratio - S80/S20	Eurostat	8.64	9.39	8.72	9.06	---
<b>Working conditions</b>						
7. Employment rate, age <b>20-64</b>	TurkStat	53.9	56.5	57.3	58.5	*
8. Unemployment rate, age <b>15-74</b>	TurkStat	12.0	10.5	9.4	8.7	*
9. Long-term unemployment rate, age <b>15-74</b>	TurkStat	3.7	2.5	2.0	1.7	*
10. Gross disposable income of households in real terms, per capita	---	---	---	---	---	---
<b>Social protection and inclusion</b>						
11. At-risk-of-poverty or social exclusion rate (AROPE)	TurkStat (Press Release on Poverty and Living Conditions Statistics 2023)	32.9	32.6	30.7	29.3	27.9
12. At-risk-of-poverty or social exclusion rate (AROPE) for children ( <b>0-17</b> )	TurkStat (Press Release on Poverty and Living Conditions Statistics 2023)	43.7	42.7	40.1	38.9	36.8
13. Impact of social transfers (other than pensions) on poverty reduction	Eurostat	13.51	8.57	13.03	11.90	---
14. Disability employment gap	Eurostat	---	---	---	---	---
15. Housing cost overburden rate	Eurostat	11.5	11.2	14.4	14.8	---
16. Children aged less than 3 years in formal childcare	Ministry of Family and Social Services	806 (under institutional care) 746 (under foster care)	553 (under institutional care) 635 (under foster care)	508 (under institutional care) 1,569 (under foster care)	786 (under institutional care) 1,747 (under foster care)	1,060 (under institutional care) 1,585 (under foster care)
17. Self-reported unmet needs for medical care	Eurostat**	2.2	1.7	1.2	1.1	---

\* 2025 Annual LFS results will be published in March 2026.

\*\* Payment difficulties (high cost not covered by insurance) or the distance of the healthcare facility/lack of transportation options or late appointment scheduling.

**Table 8b: Other Selected Indicators**

	Data source	2021	2022	2023	2024	2025
<b>Other social and healthcare indicators</b>						
1. Public social protection expenditure in % of GDP	TurkStat***	10.8	8.4	10.0	11.1	---
2. Public healthcare expenditure in % of GDP	TurkStat*	3.8	3.0	3.6	4.0	---
3. Household out-of-pocket payments as a % of total health expenditure	TurkStat*	15.9	18.5	17.8	18.8	---
4. Percentage of population not covered by insurance	Social Security Institution	1.2	0.8	---	---	---
5. Ratio of doctors per 1000 inhabitants	Ministry of Health, Turkstat	2.2	2.3	2.4	2.6	---
6. Ratio of nurses per 1000 inhabitants	Ministry of Health, Turkstat	2.7	2.9	2.9	3.1	---
<b>Environment</b>						
7. Total environmental tax revenues as a share of total revenues from taxes and social contributions (%)	TurkStat	7.26	8.55	---	---	---
8. Greenhouse gas emissions per capita (tonnes CO <sub>2</sub> eq.)	TurkStat	6.8	6.6	6.5	---	---
9. Generation of waste excluding major mineral wastes (million tonnes)	TurkStat	---	80.4	---	---	---
<b>Digital economy</b>						
10. Percentage of households with broadband access (mobile and fixed)	Eurostat, TurkStat	92.0	94.1	95.5	96.4	96.2
11. Share of total population using internet [NB: population 16-74]	Eurostat, TurkStat	82.6	85.0	87.1	88.8	90.9
<b>Energy</b>						
12. Energy imports dependency (%)	Ministry of Energy and Natural Resources	71	67	68	67	---
13. Energy intensity: Kilograms of oil equivalent (KGOE) per thousand euro	Ministry of Energy and Natural Resources	154	144	138	139	---
14. Share of renewable energy sources in final energy consumption (%)	Ministry of Energy and Natural Resources	20.7	23.1	24.1	---	---
<b>Transport</b>						
15. Railway Network Density (meters of line per km <sup>2</sup> of land area)	General Directorate of Turkish State Railways	13.45	13.59	14.57	14.57	---
16. Motorization rate (Passenger cars per 1000 inhabitants)	TurkStat	162	167	178	189	---
<b>Agriculture</b>						
17. Share of gross value added (Agriculture, Forestry and Fishing)	TurkStat	6.4	7.5	7.2	6.6	---
18. Share of employment (Agriculture, Forestry and Fishing)	TurkStat	17.2	15.8	14.8	14.8	**
19. Utilised agricultural area (% of total land area)	Ministry of Agriculture and Forestry and TurkStat	49.5	50.1	50.2	50.3	---

<b>Industry (except construction)</b>						
20. Share of gross value added	TurkStat	28.8	29.1	25.6	22.2	---
21. Contribution to employment (% of total employment)	TurkStat	21.3	21.7	21.2	20.7	**
<b>Services</b>						
22. Share of gross value added	TurkStat	59.3	58.1	61.1	64.7	---
23. Contribution to employment (% of total employment)	TurkStat	55.3	56.5	57.6	57.9	**
<b>Business Environment</b>						
24. Global Competitiveness Index Score	World Economic Forum	---	---	---	---	---
25. Estimated share of informal economy in GDP (as % of GDP)	IMF	---	---	---	---	---
<b>Research, Development and Innovation</b>						
26. R&D intensity of GDP (R&D expenditure as % of GDP)	Eurostat, TurkStat	1.37	1.30	1.39	1.46	---
27. R&D expenditure – Euro per inhabitant	Eurostat, TurkStat	114	134	168	207	---
<b>Trade</b>						
28. Export of goods and services (as % of GDP)	Turkstat	34.8	37.6	31.3	27.9	---
29. Import of goods and services (as % of GDP)	Turkstat	36.4	43.7	35.7	29.4	---
30. Trade balance (as % of GDP)	Turkstat	-1.6	-6.2	-4.4	-1.5	---

\* The indicator “Public health expenditure as a percentage of GDP” has been updated due to backward revisions in GDP.

\*\* 2025 Annual LFS results will be published in March 2026.

\*\*\* Social Protection Statistics, 2024 (<https://data.tuik.gov.tr/Bulten/Index?p=Social-Protection-Statistics-2024-53933>) In the calculation of “Public social protection expenditure in % of GDP” indicator, the Social Protection Expenditure data based on the ESPPROS methodology was used since Eurostat does not have the relevant data.

Table 9a: Cost of Structural Reform Measure (Euro)

Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total
<b>“Supporting the modernization of SMEs and increasing their efficiency and competitiveness through digital transformation and green transformation in the manufacturing industry”</b>					
2026		203,808,129			203,808,129
2027		93,879,288			93,879,288
2028		48,308,460			48,308,460
<b>“Promoting sustainable tourism and branding”</b>					
2026	138,416,440		36,837		138,453,277
2027	144,524,518		0		144,524,518
2028	152,623,543		0		152,623,543
<b>“Accelerating green transformation”</b>					
2026	184,184	3,488,881	248,862,954		252,536,019
2027	203,086	2,979,588	171,629,623		174,812,297
2028	239,393	1,425,745	171,629,623		173,294,761
<b>“Skill-based updating of curriculum and strengthening vocational training centers”</b>					
2026		92,092		67,619,008	67,711,099
2027		0		62,089,734	62,089,734
2028		0		79,917,341	79,917,341
<b>“Enhancing and improving the employment services in line with the needs of the labor market”</b>					
2026	127,566,313	1,427,958,515			1,555,524,829
2027	133,411,722	1,542,031,330			1,675,443,052
2028	138,399,263	1,401,944,042			1,540,343,306

Table 9b: Finance of Structural Reform Measure (Euro)

Year	Central Budget	Local Budget	Other National Public Finance Sources	IPA Funds	Other Grants	Project Loans	TBD	Total
<b>“Supporting the modernization of SMEs and increasing their efficiency and competitiveness through digital transformation and green transformation in the manufacturing industry”</b>								
<b>2026</b>	13,930,862					189,877,267		203,808,129
<b>2027</b>	13,999,623					79,879,665		93,879,288
<b>2028</b>	14,136,610					34,171,850		48,308,460
<b>“Promoting sustainable tourism and branding”</b>								
<b>2026</b>	147,347		138,305,930					138,453,277
<b>2027</b>	114,236		144,410,283					144,524,518
<b>2028</b>	115,707		152,507,836					152,623,543
<b>“Accelerating green transformation”</b>								
<b>2026</b>			2,257,171	1,415,894	248,862,954		252,536,019	
<b>2027</b>			1,999,954	1,182,720	171,629,623		174,812,297	
<b>2028</b>			698,517	966,621	171,629,623		173,294,761	
<b>“Skill-based updating of curriculum and strengthening vocational training centers”</b>								
<b>2026</b>	40,083,546				27,627,553			67,711,099
<b>2027</b>	36,704,026				25,385,707			62,089,734
<b>2028</b>	55,978,048				23,939,294			79,917,341
<b>“Enhancing and improving the employment services in line with the needs of the labor market”</b>								
<b>2026</b>	127,566,313		1,426,601,281	1,357,234				1,555,524,829
<b>2027</b>	133,411,722		1,540,784,229	1,247,101				1,675,443,052
<b>2028</b>	138,399,263		1,401,160,013	784,029				1,540,343,306

**Table 10: Reporting on the implementation of the Structural Reform Measures of ERP 2025-2027**  
**ERP (2025-2027) Measure 1: Supporting the modernization of SMEs and increasing their efficiency and competitiveness through digital transformation and green transformation in the manufacturing industry (0-5)\***

		Stage of reform implementation (0-5)*	
		3	3
<b>Activity 1</b>	Continuing the activities to establish Model Factories in 4 new provinces.		
<b>Activity 2</b>	<ul style="list-style-type: none"> <li>It is anticipated that 250 businesses will be supported by KOSGEB, and 200 businesses will be supported within the scope of increasing the renewable energy capacities of Industrial SMEs.</li> <li>Under the Türkiye Green Industry Project, it is aimed to carry out technical assistance and capacity building activities for the Ministry of Industry and Technology and project partners, to carry out awareness raising activities among organizations, companies and individuals related to green transformation, and to increase the national visibility of green transformation efforts.</li> <li>Under the Türkiye Small Industrial Sites Reconstruction and Regional Economic Recovery Project, the Ministry of Industry and Technology will oversee the construction of workshops as part of the reconstruction of industrial sites. The allocation processes of the completed workshops to the beneficiaries will also be managed.</li> </ul>	5	5
Activities planned for 2025	<p><b>Activity 3</b></p> <ul style="list-style-type: none"> <li>It is expected that KOSGEB will determine the current status of approximately 200 manufacturing small and medium-sized enterprises regarding digital transformation and prepare roadmaps accordingly. It is anticipated that loan interest/profit share support will be provided to 150 businesses within the scope of facilitating access to finance for SMEs' digitalization investments.</li> </ul> <p><b>Activity 4</b></p> <ul style="list-style-type: none"> <li>Within the scope of the Türkiye OIZ Project, it is planned to complete the tenders for investments on wastewater treatment facilities, wastewater reclamation and reuse facilities, solar energy power plants, infrastructure, environmental laboratory, integrated communication and security system, fiber optic, scada systems, LED lightings, electric distribution systems.</li> </ul>	5	5
	Description of implementation and explanation if partial or no implementation		<ul style="list-style-type: none"> <li>Two new Model Factories planned for 2025 have become operational, and work continues for four others. Unlike the previous ERP period, establishment activities for a Model Factory have also been initiated in the province of Sakarya.</li> <li>The 10 operational Model Factories have provided Learn-Transform services to more than 647 firms, Experiential Training services to over 799 firms, Project Implementation services to more than 214 firms, and Awareness Trainings to over 2,944 firms.</li> </ul>

	<b>Activity 2</b>	<ul style="list-style-type: none"> <li>• Within the scope of improving energy and resource efficiency in industrial SMEs, the projects of 2,303 enterprises have been accepted, while 1,153 enterprises had their projects approved for increasing the renewable energy capacity of industrial SMEs. A total of 6,344 billion TL in support payments has been made to 1,938 of the enterprises whose projects were approved.</li> <li>• Under Türkiye Green Industry Project; <ul style="list-style-type: none"> <li>◦ “ISO 14064: Corporate Carbon Footprint Calculation, ISO 14067 Product Carbon Footprint Calculation, ISO 14046 Water Footprint Calculation, ISO/IEC 17029: 2020 General Principles and Requirements for Conformity Assessment, Verification and Validation Bodies Trainings Service Procurement” was carried out. Face-to-face training programs were organized in two groups and lasted for 10 days.</li> <li>◦ In order to prepare the green transformation roadmaps of 100 enterprises that will apply to the Green Transformation Support Program carried out, a tender for “Consultancy Service Procurement for the Preparation of Roadmaps for the Green Transformation Support Program and Raising Awareness” was opened and the evaluation processes of the applications received are ongoing.</li> <li>◦ Within the scope of efforts to improve the technical and institutional capacity of the Ministry’s Central Units and Affiliated and Related Organizations regarding green transformation and to raise awareness in these areas; in order to follow the latest developments on net zero emission technologies, to increase competence in this field and to guide sectors with the information to be obtained, “Net Zero Emission: Technologies to Accelerate Transformation in Industry” online information meetings are organized. These meetings were started on 15 November 2024 and finalized on 7 March 2025 held every two weeks.</li> <li>◦ At the third meeting of the “Sustainability of Industry Governance Board” established within the Ministry held on 4 September 2024, it was decided to visit the legal entities of Organized Industrial Zones (OIZs) and the companies located in OIZs. Accordingly, it was planned to visit the OIZs in Ankara and the companies located in these OIZs between 3 October 2024 and 28 November 2024. In this context, “Within the Scope of Türkiye Green Industry Project; OIZ and Company Visits Program with a Focus on Sustainability and Green Transformation” has been created. Visits to Başkent, ASO 1, ASO 2-3 OIZ and OSTİM OIZ were completed within this scope.</li> <li>• The tender for the construction of 192 shops in the second phase of the Malatya Yesilyurt Small Industrial Site in the earthquake-affected areas has been completed and the contract has been signed. A tender has been announced for the construction of the second phase of the Kahramanmaraş Urumoğlu Industrial Site.</li> </ul> </li> </ul>
	<b>Activity 3</b>	<ul style="list-style-type: none"> <li>• The Digital Transformation Consultancy Support was incorporated into the YÖNDE – Leadership and Evaluation Support Program, which was launched on 1 August 2024. 100 enterprises have been provided amounting to 1,962,667 TL. In addition, within the scope of the SME Digital Transformation Support Program, 141 enterprises have had their applications approved and 41 enterprises have been provided with loans totaling 347.17 million TL.</li> </ul>
	<b>Activity 4</b>	<ul style="list-style-type: none"> <li>• Within the scope of the Green OIZ Project, as of 26 November 2025, 4 OIZ projects have been completed, the construction contracts for 18 OIZ projects have been signed and these are continuing and the tender process for 9 OIZ projects is still underway. Under the project, a total of 53,389,896.06 euros was spent during the years 2023-2025.</li> </ul>

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation

## ERP (2025-2027) Measure 2: Promoting sustainable tourism and branding

Stage of reform implementation (0-5)*	Activities planned for 2025
<ul style="list-style-type: none"> <li>• All accommodation facilities will be required to obtain at least the Stage 2 Verification of the Türkiye Environmental and Cultural Sustainability Program by the end of 2025 and efforts will be made to increase the number of facilities achieving the Stage 3 Certificate through training and promotional activities.</li> </ul>	<p><b>5</b></p>
<ul style="list-style-type: none"> <li>• As a module of the Türkiye Environmental and Cultural Sustainability Program, expert teams and technical support will be provided to the GSTC for the development of international food and beverages service providers standards to position the food and beverage sector internationally.</li> </ul>	<p><b>2</b></p>
<ul style="list-style-type: none"> <li>• To expand the scope of the Türkiye Environmental and Cultural Sustainability Program, activities in categories such as destinations, tour operators, travel agencies, and MICE will be conducted with consultancy support. Operational processes will be facilitated through training, software and digital product development, capacity building, legal consultancy, call and operations center services, collaboration, and promotional activities.</li> </ul>	<p><b>1</b></p>
<ul style="list-style-type: none"> <li>• To enhance Türkiye's ranking in international sustainability competitiveness indices, collaborative and academic studies will be carried out with relevant institutions and stakeholders.</li> </ul>	<p><b>5</b></p>
<ul style="list-style-type: none"> <li>• To promote sustainability labels and certifications, certification and promotional activities will be implemented for sustainable museums and cultural centers.</li> </ul>	<p><b>3</b></p>
<ul style="list-style-type: none"> <li>• In line with Türkiye's sustainable tourism vision to expand tourism in Türkiye to 12 months and 81 provinces, Türkiye's promotions on TV, digital and printed media as well as hosting press members, digital content producers, opinion leaders and tour operators from target countries will be organized to strengthen the perception that Türkiye has alternative and especially sustainable tourism products other than sea-sand-sun tourism and to ensure branding in this context.</li> </ul>	<p><b>5</b></p>
<ul style="list-style-type: none"> <li>• Within the scope of sustainable tourism communications, digital broadcasts are planned in 15 countries with the Türkiye Sustainable Tourism Program film communication.</li> </ul>	<p><b>5</b></p>
<ul style="list-style-type: none"> <li>• Increasing demand and raising awareness for Türkiye by establishing sustainable collaborations with airlines operating flights to Türkiye, tour operators and Online Travel Agencies's (OTA) selling Türkiye and Mediterranean destinations.</li> </ul>	<p><b>4</b></p>
<ul style="list-style-type: none"> <li>• Promoting Türkiye effectively in China through agreements with leading companies in China after the opening of China for tourism.</li> </ul>	<p><b>4</b></p>
<ul style="list-style-type: none"> <li>• Continuing to diversify Türkiye's tourism branding strategies to include new destinations, tourism products and themes in line with sustainability principles; raising awareness on different tourism products that can be experienced across Türkiye throughout all four seasons; promoting new branded destinations under Türkiye's umbrella a brand communication by implementing thematic brand communication strategies for gastronomy, Eastern and Southeastern Anatolia, sports, health and faith tourism.</li> </ul>	<p><b>4</b></p>

<ul style="list-style-type: none"> <li>Creating promotional materials specific to the needs of the provinces and continuing their work on behalf of sustainable tourism. Domestic Tourism activities should also be actively continued in 81 cities 42 projects with 150 social media local personalities this process.</li> <li>To promote Türkiye internationally, campaign collaborations have been planned with globally recognized Online Travel Agencies (OTAs) and tour operators. These initiatives aim to enhance awareness of Türkiye as a destination and showcase its diverse tourism offerings.</li> <li>Total of 243 Provincial Promotion and Development Board meetings will be held in 81 cities.</li> </ul>	<ul style="list-style-type: none"> <li>In order to develop gastronomy tourism, which is one of the cornerstones of sustainability in tourism and one of the leading alternative tourism products, within the scope of the Turkish Cuisine Week, a special menu consisting of healthy, traditional and waste-free Turkish Cuisine flavours will be introduced in world cuisines in the events to be held in the third week of May every year and promotional activities will be carried out to increase the number of destinations included in the Michelin Guide Türkiye selection.</li> <li>The village of Birgi, located in the Ödemiş district of İzmir, will be a pilot destination for the creation of a “Sustainable Green Destination Model” in collaboration with UNDP, Enerjisa and TGA. It will be transformed into a SENTRUM project to promote sustainable tourism and support local economic development.</li> <li>Providing vocational training to approximately 4,100 people in 2025 within the scope of Vocational On-the-Job Training Programs organized by the Ministry of Culture and Tourism, if requested by tourism facilities.</li> <li>The Ministry of Culture and Tourism' efforts will continue to increase the number of Blue Flag facilities and aim to increase the number of Blue Flag beaches to over 639 by the end of year 2027.</li> <li>In order to mitigate the impacts of climate change on the tourism sector and increase the adaptation capacity of the sector, it is aimed to carry out climate compatible spatial planning studies and prepare adaptation guides in selected case study areas (coastal and winter tourism centers) in 2024.</li> <li>In order to register and control the residences, which have an important place in accommodation activities by renting for short-term for tourism purposes in Türkiye, to prevent informality and to increase service standards in 2026 it is aimed at arrangement of 48,000 touristic rental residence licences for tourism purposes.</li> </ul>	<ul style="list-style-type: none"> <li>As of November 2025, 2083 accommodation facilities had received a Stage 3 Certificate, 6791 had received Stage 2 Verification and 9873 had received Stage 1 Verification. A total of 18,747 accommodation facilities have been registered as verified or certified as sustainable.</li> <li>In line with sustainable tourism vision to expand tourism in Türkiye to 12 months and 81 provinces, promotions on TV, digital and printed media as well as hosting press members, digital content producers, opinion leaders and tour operators from target countries have been carried out. Within the framework of agreements with global channels, it has been planned to complete the number of spots at least 5,000, digital screenings at least 15,000,000 and TV/digital promotional films at least 4 throughout the year. Print media campaigns were carried out with a minimum frequency of three placements in the most prestigious and highest-circulation outlets in international markets.</li> <li>More than 45 million impressions were generated across the GoTürkiye social media channels.</li> <li>In 2025 a total of 6,422 participants were hosted in 81 cities, including 2,174 members of the press and influencers, as well as 4,248 tour operators from 106 countries within the scope of 387 events.</li> </ul>
<p>Description of implementation and explanation if partial or no implementation</p>		

	<ul style="list-style-type: none"> <li>During January–December 2025 period, as part of promotional activities, 38,479 advertising spots and 107 TV/digital programs were broadcast on major global news channels which air in more than 200 countries worldwide, generating over 104 million digital impressions.</li> <li>In digital channels, over 104 million impressions were achieved. Within the scope of global partnerships, 600 TV spots and 1,175 presenter-led promotions were broadcast across 45 countries in Europe, and 7,8 million impressions were reached through digital broadcasts with diverse content formats.</li> <li>During January–December 2025 period, a total of 91 print articles were published in 27 media outlets across 9 countries and 5 global publications.</li> <li>Within the scope of sustainable tourism communications, digital broadcasts were carried out in 12 countries as part of the promotional film communication for the Türkiye Environmental and Cultural Sustainability Program. In order to promote sustainable tourism in Türkiye and increase the number of visitors to the website sustainable.goturkiye.com, digital communication activities were carried out in 22 countries.</li> <li>During the January–December 2025 period, within the scope of sustainability-themed digital publications, film, traffic and search campaigns were carried out in 27 countries, resulting in 121 million impressions.</li> <li>The planned cultural route promotion activities for 2025 were continued effectively.</li> <li>Domestic tourism hosting activities were carried out with the participation of 52 projects and 272 local social media influencers.</li> </ul>
	<ul style="list-style-type: none"> <li>By the end of 2025, Türkiye participated with a national stand in a total of 28 international specialized tourism fairs<sup>22</sup> held in 20 countries abroad and 6 held domestically. Together with 496 tourism sector professional organizations participating in major international fairs abroad with the national stand, Türkiye's tourism promotion has been carried out effectively.</li> <li>In all 81 provinces, the Provincial Promotion and Development Board meetings were continued to be held regularly.</li> <li>Turkish Cuisine Week was celebrated for the fourth time between 21–27 May 2025 under the theme “Classics of Turkish Cuisine”. Within this framework, promotional activities were carried out internationally through original menus, and the Cappadocia destination was included in the Michelin Guide. In addition, in order to highlight the local and sustainable gastronomic values of the provinces, a gastronomy-focused special filming project was launched on social media platforms, with filming carried out in a total of 13 provinces.</li> </ul>
	<ul style="list-style-type: none"> <li>The Sustainable Green Destination Model Project has been implemented. Within the scope of SENTRUM, a sustainable destination management model was established in Birgi, an implementation office was opened, route planning studies were completed, and guidance documents were developed. In addition, pilot initiatives covering renewable energy, visitor management, and support for local producers were put into practice.</li> <li>Within the scope of vocational on the job training programs, vocational training was provided to 534 people in 2025.</li> </ul>
	<ul style="list-style-type: none"> <li>As part of the Blue Flag program, 577 beaches, 29 marinas, 8 private yachts and 18 tourist boats were awarded the Blue Flag, making Türkiye the 3rd country in the world in terms of the number of Blue Flag beaches in 2025.</li> <li>Within the scope of six events held during the January–October 2025 period, a total of 38 participants—comprising 26 members of the press and digital content creators from 11 countries, and 12 tour operators—were hosted in Türkiye as part of winter tourism promotion activities.</li> <li>The number of residential property permits issued for tourism purposes reached 15,525 in 2025.</li> <li>The Çanakkale Province Tourism Center Climate-Resilient Planning project has been completed as part of climate-resilient spatial planning efforts, while the preparation of a model guide for Tourism Centers and Cultural and Tourism Conservation and Development Zones has been completed as part of climate-resilient declaration and planning efforts.</li> </ul>

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## ERP (2025-2027) Measure 3: Accelerating green transformation

Stage of reform implementation  
(0-5)\*

Activities planned for 2025	<b>Activity 1</b> <ul style="list-style-type: none"> <li>Defining the scope and rules and principles for the implementation and operation of the ETS market</li> <li>Launching the Pilot ETS phase with 2025 emission data</li> <li>Initiation of buying and selling (trading) of allocations in the primary and secondary markets</li> </ul>		4
	<b>Activity 2</b> <ul style="list-style-type: none"> <li>Revising and finalizing the draft Türkiye Green Taxonomy Regulation based on stakeholder feedback before its publication</li> </ul>		4
	<b>Activity 3</b> <ul style="list-style-type: none"> <li>Finalizing the Industrial Emissions Management Regulation and to start publishing sectoral communiqués following this framework regulation</li> <li>Starting to receive applications through certification software after the publication of the regulation</li> <li>As part of facilitating access to financial incentive mechanisms within the scope of green transition in industry, the Green Transition Certificate will provide access to green financing, and industrialists will be able to apply for loans offered by both international and national banks in this area.</li> </ul>		2
	<b>Activity 1</b> <ul style="list-style-type: none"> <li>Significant progress has been made in identifying the design elements of the Türkiye ETS through information sessions, consultations, technical meetings, and site visits with public institutions, private sector representatives, and verification bodies. Following the entry into force of the Climate Law, preparations for secondary legislation related to the ETS have continued.</li> </ul>		
<b>Activity 2</b> <ul style="list-style-type: none"> <li>15 technical consultation meetings were held with relevant stakeholders in 2024, taking into account the criteria listed in the EU Taxonomy, in line with the task of preparing national green taxonomy legislation. As a result of the meetings and studies, the Draft Green Taxonomy Regulation for Türkiye was prepared, and opinions were requested from institutions and organizations both in 2024 and 2025. In addition, Technical Screening Criteria were established for priority sectors and economic activities, taking into account the EU Taxonomy, and scenarios for taxonomy implementation were studied.</li> </ul>			
<b>Activity 3</b> <ul style="list-style-type: none"> <li>The Regulation on the Management of Industrial Emissions was published in the Official Gazette dated 14 January 2025, and numbered 32782, and entered into force on 1 December 2025.</li> <li>There are approximately 6,000 facilities in sectors covered by the regulation, such as energy, metal, minerals, chemicals, waste management, textiles, automotive, leather, paper, food, and livestock. Sectoral communications covering 33 sectors under 6 main headings have been prepared, referring to the sectoral best available techniques reference and results documents prepared by the EU. The aforementioned sectoral communications were published in the Official Gazette dated 30 November 2025, and numbered 33093, and entered into force on 1 December 2025.</li> <li>Under Türkiye's Emission Reduction Project, according to a 5-year loan agreement signed between the World Bank and the Development and Investment Bank of Türkiye in 2024, loans are being provided to industrialists with green transformation certificates in industry under the loan agreement. Starting in 2024, a five-year credit agreement for a total of 416 million dollars has been provided to industrialists with a green transformation certificate in industry,</li> </ul>			

and applications are being accepted from industries listed in Annex I of the Regulation on the Management of Industrial Emissions. The target of 70 million dollars for 2025 has been exceeded, and a total of 110 million euros in credit opportunities has been provided to sectors under the green transformation in industry.

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**ERP (2025-2027) Measure 4: Developing data-driven policies and services through secure sharing and use of public sector data with the public data space to be activated in line with the new data strategy (0-5)\***

Activities planned for 2025	Stage of reform implementation
<ul style="list-style-type: none"> <li>• The Public Data Space protocol will be signed and the data sharing process will be initiated.</li> <li>• Advanced analytics and AI projects to be developed in the Public Data Space will continue to be developed.</li> <li>• Through the artificial intelligence projects carried out within the scope of the pilot implementation, work on maturing the draft architecture and determining the technical requirements for improvement will continue.</li> <li>• A transition plan will be prepared for institutions to be included in the Public Data Space by analyzing the maturity of data, infrastructure, human resources and legislation in public institutions.</li> <li>• In line with the transition plan, HR trainings and capacity building training programs will be launched in public institutions.</li> <li>• The recruitment process of central administration in the areas of data governance, advanced analytics and artificial intelligence will continue.</li> <li>• In line with the transition plan, infrastructure capacity improvement will be carried out in public institutions and activities to expand the use of the Public Data Space will be initiated.</li> <li>• The scope of the KAMAG 1007 “Public Artificial Intelligence Ecosystem” call will be expanded and projects for the use of the Public Data Space will be included in the scope of the call and dissemination activities will continue in line with the transition plan.</li> <li>• The number of public institution participation in the Public Data Space pilot implementation will be increased.</li> </ul> <p>Description of implementation and explanation if partial or no implementation</p>	<p>5</p> <p>3</p> <p>4</p> <p>3</p> <p>3</p> <p>2</p> <p>3</p> <p>2</p> <p>2</p>

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ERP (2025-2027) Measure 5: Skill-based updating of curriculum at all levels within the scope of green and digital transformation and developing a system for recognizing previous learning by strengthening vocational training centers		Stage of reform implementation (0-5)*
Activities planned for 2025	<ul style="list-style-type: none"> <li>The framework teaching programs of the fields and branches used in vocational and technical secondary education institutions will be updated to meet the requirements of green development, new job opportunities, digital and green skills in line with sector demands, changing and developing technology, legislation and national occupational standards and national qualifications prepared by VQA.</li> <li>Preparing printed teaching materials suitable for vocational and technical secondary education program contents.</li> <li>Diversification of methods for recognition and certification of professional skills acquired through non-formal or informal learning.</li> <li>Curricula, course materials, educational tools, digital content at secondary and higher education levels will be prepared/updated in line with digital and green skills in cooperation with the sector.</li> <li>Especially digital and green transformation, curricula, infrastructure and internship opportunities in line with the requirements of the current era in the training of teachers will be improved.</li> </ul>	<p>5</p> <p>3</p> <p>5</p> <p>5</p> <p>3</p>

Description of implementation and explanation if partial or no implementation

	<p>School to register at vocational education centers, which are vocational secondary education institutions, so that they can acquire a profession while continuing their education.</p> <ul style="list-style-type: none"><li>• Work is being done to increase the number of professions covered by the Vocational Education Law No. 3308 in vocational education centers in line with the demands of businesses. Craft Workshops, a skills development program, have been developed to facilitate access to professions for students in grades 7 and above, to support their basic vocational development by encouraging them to learn about professions and discover their talents, and to become productive individuals. As part of the skills development program in Craft Workshops, 170 modular course programs in 16 fields have been prepared as of December 2025.</li><li>• Within the scope of the Teacher Education Digital Ecosystem Project, the establishment of eight Teacher Learning Laboratories in seven provinces was completed, and Training of Trainers activities were carried out.</li><li>• Vocational education cooperation protocols have been signed to improve the competencies of teachers and students in vocational and technical secondary education institutions, update teaching programs, improve educational environments, support successful students, and provide employment opportunities for graduates. 165 cooperation protocols are being implemented between the Ministry of National Education and 160 institutions and organizations.</li><li>• The “Türkiye Century Vocational and Technical Education Summit” was held to reflect green and digital transformation and labor market demands in vocational and technical secondary education programs.</li></ul>
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ERP (2025-2027) Measure 6: Enhancing and improving the employment services in line with the needs of the labor market		Stage of reform implementation (0-5)*
	<ul style="list-style-type: none"> <li>Employment fairs are planned to be organised in 73 provinces.</li> <li>35,000 young people within the age group of 15-24 will benefit from the On-the-Job Training Programs.</li> <li>1,415,000 individual interviews for female job seekers will be applied.</li> <li>Individual counselling for young people with NEET potential will be provided for 62,000 persons.</li> <li>Within the scope of coaching for persons with disabilities, 286,000 individual interviews will be held.</li> <li>180,000 people will benefit from the labor adaptation program.</li> <li>Among the households without employees, 20,000 of them will benefit from iŞKUR services.</li> <li>The Draft National Employment Strategy and Action Plans (2025-2028) are expected to enter into force after submission to the Presidency for approval (if deemed appropriate).</li> <li>Monitoring and Evaluation Board meetings are planned to be held twice a year in order to monitor the Action Plans.</li> <li>It is planned to start the preparatory studies for the National Just Transition Strategy.</li> </ul>	<p style="text-align: center;"><b>5</b></p> <p style="text-align: center;"><b>5</b></p> <p style="text-align: center;"><b>5</b></p> <p style="text-align: center;"><b>5</b></p> <p style="text-align: center;"><b>5</b></p> <p style="text-align: center;"><b>5</b></p> <p style="text-align: center;"><b>5</b></p> <p style="text-align: center;"><b>5</b></p> <p style="text-align: center;"><b>5</b></p>
Activities planned for 2025		
Description of implementation and explanation if partial or no implementation	<ul style="list-style-type: none"> <li>Within the scope of the virtual employment fair initiative launched as of 2019 due to increasing digitalization and the impact of the Covid-19 pandemic, 81 virtual job fairs have been held with the participation of all 81 provinces by the end of 2025. As the objectives of this activity are considered to have been achieved, it has been removed from the scope of the ERP.</li> <li>Regarding On-the-Job Training Programs, 31,577 young people aged 15-24 have benefited from the programs as of the end of October 2025.</li> <li>During the January-October 2025 period, <ul style="list-style-type: none"> <li>The number of individual interviews conducted for women seeking employment was 1,201,785.</li> <li>The number of individuals benefiting from individual counseling services for young people with NEET potential was 45,059.</li> <li>The number of individual interviews conducted under the scope of disability job coaching was 280,754.</li> </ul> </li> <li>174,828 people benefited from the labor adaptation program as of 2025.</li> <li>Under the household support system, services were provided to 98,607 households as of the January-December 2025 period.</li> <li>Within the scope of the National Employment Strategy Action Plan, monitoring work has been carried out for the January-June 2025 period in relation to the Action Plan, and the 1st National Employment Strategy Current Status Monitoring and Evaluation Report has been prepared. The report is available on the website of the Ministry of Labor and Social Security.</li> </ul>	

	<ul style="list-style-type: none"><li>• Within the scope of the preparatory work for the National Just Transition Strategy, the project entitled “Enhancing Workers’ Skills Adaptation in the Green and Digital Transition Process” has been implemented. Within the framework of the project, worker-employer meetings were held in 10 provinces to raise awareness at the local level, and analytical studies were conducted to assess awareness of the transition process and to identify current and future skills needs.</li><li>• In order to strengthen capacity throughout the strategy development and just transition process, an International Just Transition Policy Training Program was organized for all stakeholders, including social partners and civil society organizations.</li><li>• The National Just Transition Strategy Preparatory Workshop with broad stakeholder participation was held on 29-30 December 2025.</li></ul>
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**Annex 2 Table: Links between Reform Areas and Relevant Policy Documents**

<b>Reform measures ERP 2026-2028</b>  <b>Commission Assessment of Key Structural Challenges in ERP (2025-2027)</b>	<b>ERP Policy Guidance 2025</b>  <b>Enlargement Package 2025</b>  <b>Sustainable Development Goals 2020-2030</b>	<b>European Green Deal</b>  <b>European Digital Agenda</b>  <b>IPA III projects supporting this reform</b>
<p>“Supporting the modernization of SMEs and increasing their efficiency and competitiveness through digital transformation and green transformation in the manufacturing industry”</p>	<p>5. It is recommended that, in line with the Long-Term Climate Strategy 2053 published in November 2024, steps should be taken towards energy-intensive and hard-to-abate sectors, including increasing the use of renewable energy and alternative clean hydrogen.</p> <p>6. It is suggested that the gap between women and men in the labor market should be reduced by increasing women's skill levels through facilitating their access and participation in education and on-the-job training.</p>	<p>The activities and projects within the scope of this measure on Green Transformation, Clean Energy, and Digitalization mentioned in the Enlargement Package will contribute to the development and modernization of SMEs in Türkiye.</p> <p>In line with the EU's goal of “Transforming the EU economy for a sustainable future”, the projects numbered 3, 4, 6, 7, 13 and 15 under the heading “IPA III Projects supporting this reform” of this table, which are proposed to be supported in the IPA III period, have been prepared in line with this Digital Agenda.</p> <p>Moreover, with Türkiye's accession to the Digital Europe Program, this agenda will be supported by the establishment of EDIHs.</p> <p>Model Factories contribute to digitalization, green and circular economy, and sustainable production policies</p> <p>The EU's 2030 Digital Agenda has 3 pillars: 1-Democracy, 2-Rules and 3-Cutting-edge technologies for people.</p> <p>In this context, the projects numbered 2, 7, 8, 9, 10, 11, 11, 12, 12, 13, 14, 16, 17 and 18 under the heading “IPA III Projects supporting this reform” of this table, which are proposed to be supported in the IPA III period, have been prepared in line with this Digital Agenda.</p> <p>4-Turkish industry adapted and harmonised with EU legislation within the context of green and circular economy</p> <p>5-Improved innovation ecosystem in Türkiye and integration with EU industrial value chains and innovation networks promoted</p> <p>6-Increased awareness, knowledge and capacities of private sector stakeholders on the green economy and resource efficiency, leading to improved resource use efficiency at industrial facilities</p>

<p>7-Support to Low Carbon Pathways through Digital Transformation with the “Türkiye Industrial Decarbonization Investment Platform”</p> <p>8-Metrology 4.0 - Establishment of Metrology Cloud System and integration of digital solutions to measuring instruments</p> <p>9-Adaptation to the EU AI Act</p> <p>10- Strengthening Women's Employment in the Manufacturing Industry, Phase II</p> <p>11- Increasing Türkiye's Benefit from EU Framework Programs and Initiatives Related to Digitalization</p> <p>12- Reducing the carbon footprint of data centers</p> <p>13- Support for sustainable digitalization in the private sector</p> <p>14- Alignment with the EU Digital Agenda</p> <p>15- Strengthening Consumer Rights in the Digital Economy</p> <p>16- Modernization and digitization of customs systems</p>

<p><b>“Promoting sustainable tourism and branding”</b></p>	<p>Key structural challenge 2</p>	<p>SDG 8.9: By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products</p> <p>SDG 12.B: Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products</p> <p>SDG 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p> <p>SDG 13.2: Integrate climate change measures into national policies, strategies and planning</p>	<p>2.1.5 Accelerating the shift to sustainable and smart mobility</p> <p>2.1.7. Preserving and restoring ecosystems and biodiversity</p>

<p><b>“Accelerating green transformation”</b></p> <p>Key structural challenge 2</p> <p>Key structural challenge 3</p>	<p>5. Adoption of the climate law focused on establishing an emissions trading system (ETS) compatible with the EU ETS.</p>	<p>Economic Reform and Green Transition in Industry</p>	<p>SDG 7: Affordable and Clean Energy</p> <p>SDG 9: Industry, Innovation, and Infrastructure</p> <p>SDG 12: Responsible Consumption and Production</p> <p>SDG 13: Climate Action</p>	<p>Financing Green Transition</p> <p>EU Zero Pollution Action</p> <p>Green Transition in Industry</p>	<p>Digital and Green Transition</p>	<p>EU Emissions Trading System Legislation Transposition Project</p> <p>Strengthening National Capacity for Climate Finance Project</p> <p>Green Agenda and Sustainable Development</p>

<p><b>“Skill-based updating of curriculum and strengthening vocational training centers”</b></p>	<p>Key structural challenge 1</p>	<p>6. Reduce the employment rate gap by bringing young people and the informally employed into formal jobs, in particular through stepping up vocational education and the provision of paid intern and traineeships. Continue the roll-out of the self-reflection on effective learning by fostering the use of innovative educational technologies (SELFIE) tool to assess schools' digital education capabilities</p>	<p>SDG 4: Quality Education</p> <p>SDG 4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education, leading to relevant and effective learning outcomes</p>	<p>Within the scope of the European Green Deal, efforts will be undertaken to promote the digital transformation of education, and digital platforms will be developed for education and skills programs.</p>	<p>According to the Digital Education Action Plan Priority 1: Making better use of digital technology for teaching and learning</p>
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<p><b>“Enhancing and improving the employment services in line with the needs of the labor market”</b></p>	<p>Key structural challenge 1</p> <p>6. Reduce the employment rate gap by bringing young people and the informally employed into formal jobs, in particular through stepping up vocational education and the provision of paid intern- and traineeships. Address the employment gap between men and women through further proliferation of quality and affordable childcare infrastructure beyond the big urban centres of Turkiye, and through raising the level of skills for women by facilitating their access to and participation in training and on-the-job training.</p>	<p>2.3 Economic Criteria (Functioning of Labor Market)</p> <p>Chapter 19</p>	<p>SDG 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p> <p>SDG 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p>	<p>SDG 8.6: By 2020, substantially reduce the proportion of youth not in employment, education or training</p>	<p>Leaving no one Behind (Just Transition)</p>	<p>Skills: At least 80 percent of all adults should have basic digital skills and there should be 20 million ICT specialists employed in the EU, with more women taking up such jobs.</p>	<p>REWORK Project</p>
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**Annex 3 Table: External Contribution to the ERP (2026-2028)**

Remark area section	Comment received	Contributing stakeholder	Status of comment	Comment
<b>Structural Reforms</b>	<p>In combating the informal economy, it is considered important, in addition to audits and sanctions, to introduce mechanisms that reward taxpayers who fulfill their tax obligations fully and in a timely manner, in order to strengthen fair competition.</p>	International Investors Association- YASED	It is included in the scope of the ERP.	<p>Under the “Revenue Policy” heading of the Public Finance section, a measure is included to analyze taxpayer behaviors and tax compliance issues that affect the full and timely payment of taxes, and to develop strategies aimed at contributing to an increase in the level of compliance.</p>
<b>Business Environment and Reduction of the Informal Economy</b>	<p>It is considered that incorporating an emphasis on flexibility, as also included in the YOİKK Action Plan, would be beneficial.</p>	Turkish Industry and Business Association - TÜSİAD	It is considered to be a viable proposal and may be included in the scope of the ERP in the coming period.	<p>Within the scope of the MTP (2026-2028), efforts are being undertaken to ensure flexibility, and in line with developments in new-generation working models, legislative arrangements will be implemented in consultation with the social partners, taking into account the needs of the labour market and work-life balance.</p>

<p>It is recommended that amendments be made to the Public Procurement Law in order to enhance transparency in the public procurement system.</p>	<p>Turkish Union of Chambers and Commodity Exchanges - TOBB</p>	<p>It is included in the scope of the ERP.</p>	<p>Under the “Expenditure Policies” heading of the Public Finance section, it is planned to update the public procurement legislation in line with international norms and standards through a procurement approach that supports and prioritizes digitalization, innovation, and sustainability, and to implement a sectoral public procurement framework.</p>
			<p>It is envisaged that the investment climate would benefit strategically from radically shortening the durations of investment-related permit, license, and authorization procedures by transferring all processes to online platforms and centralizing them through one stop offices, as well as from introducing mechanisms such as tax exemptions to encourage the use of arbitration in commercial contracts.</p>
			<p>It is included in the scope of the ERP.</p>
			<p>It is planned to complete the process of harmonizing the Law on the Protection of Personal Data with the GDPR in line with alignment with the EU acquis. In addition, efforts are being undertaken to strengthen the institutional capacity of the Personal Data Protection Authority.</p>

<p><b>State-Owned Enterprises</b></p>	<p>In order to ensure sustainability in the sector and to increase effectiveness in resource allocation, it is considered important that public companies in the energy sector be operated with an efficiency-oriented management approach.</p>	<p>International Investors Association-YASED</p> <p><b>Green Transition</b></p> <p>Türkiye's candidacy for and hosting of COP31 represents one of the most concrete examples of public-private cooperation, as national climate policies progress in alignment with a global vision while the private sector actively participates in the preparation of secondary legislation under the Climate Law through the Carbon Advisory Board. In this context, it is important that the resources to be generated within the legislative framework be redirected to industry in a manner that finances the green transformation of sectors, with due regard to the principle of a just transition, and that cost-reducing support mechanisms be put into operation.</p>	<p>It is expected that efforts towards the SOEs governance reform, which are already programmed, will continue during the 2026-2028 period. In this context, legislative amendments have been scheduled to strengthen the corporate governance approach within the senior management of SOEs.</p> <p>It is included in the scope of the ERP.</p> <p>International Investors Association-YASED</p> <p><b>Digital Transition</b></p> <p>The effective use of productivity enhancing technologies, particularly artificial intelligence, is considered important. On the digital infrastructure front, addressing gaps in fiber infrastructure in parallel with the 5G tender process, incentivizing data center investments, and assessing the appetite of international direct investors in this field are regarded as priorities. The establishment of the Cybersecurity Authority and the structuring of the National Technology and Artificial Intelligence Directorate strengthen institutional capacity, while the market friendly approach adopted by the TGNA's Artificial Intelligence Commission provides a framework that does not constrain innovation.</p> <p>It is included in the scope of the ERP.</p> <p>Relevant additions have been made to the Green Transition section.</p> <p>It is included in the scope of the ERP.</p> <p>Relevant additions have been made to the Digital Transformation section.</p>
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<b>Education and Skills</b>	<p>It is considered beneficial to include in the program priorities aimed at ensuring equal opportunities in children's access to high-quality, universal, and free pre-primary education, as well as at expanding the coverage of early childhood education.</p> <p>In order to develop the competencies required by the labor market in a dynamic manner, it is of great importance to update curricula, occupational standards, and certification requirements on an annual basis in line with market demands, by utilizing the structures of private sector umbrella organizations, and to institutionalize this process.</p>	<p>Turkish Industry and Business Association - TÜSİAD</p>	<p>It is included in the scope of the ERP.</p>	<p>Policies related to equal opportunity are included in the Education section.</p>
	<p>It is considered beneficial to include in the program measures aimed at expanding accessible and affordable childcare and care services in order to support the increase in women's employment, as well as broadening the scope of care services to also cover elderly and disability care.</p>	<p>Turkish Union of Chambers and Commodity Exchanges - TOBB</p>	<p>It is included in the scope of the ERP.</p>	<p>Relevant additions have been made to the Education section.</p>
<b>Employment and Labor Markets</b>	<p>It is considered beneficial to include in the program measures aimed at expanding accessible and affordable childcare and care services in order to support the increase in women's employment, as well as broadening the scope of care services to also cover elderly and disability care.</p>	<p>Turkish Industry and Business Association - TÜSİAD</p>	<p>Part of the recommendation is already included within the scope of the ERP, and the expansion of the measure may be taken up under the ERP in the forthcoming period.</p>	<p>Institutional care and childcare services will be expanded in a manner that ensures financial cooperation among the central government, local administrations, and the private sector.</p>
	<p>It is important to establish a labor force pool equipped with the competencies required by the private sector in order to cultivate a qualified workforce, and to effectively match labor supply with market demands across Türkiye.</p>	<p>Turkish Union of Chambers and Commodity Exchanges - TOBB</p>	<p>It is included in the scope of the ERP.</p>	<p>Relevant additions are included in the Employment and Labor Market section.</p>



PRESIDENCY OF THE REPUBLIC OF TÜRKİYE  
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