

# World Bank Group – Turkey Partnership: Country Program Snapshot

April 2015



## RECENT ECONOMIC AND SECTOR DEVELOPMENTS

### Growth and Economic Management

Turkey has many noteworthy achievements that contain lessons for other emerging markets. Turkey's GDP has tripled in nominal U.S. dollar terms since 2001, when a deep financial crisis opened the way for a comprehensive macroeconomic and structural reform program. Growth received another boost from the European Union (EU) accession talks starting in 2005 and the favorable external environment prevalent until 2008. Today, Turkey's per capita income of roughly US\$10,500 puts it in the group of upper-middle-income countries. Turkey is a member of the G20 and the Organisation for Economic Co-operation and Development (OECD) and has the 17th-largest economy in the world.

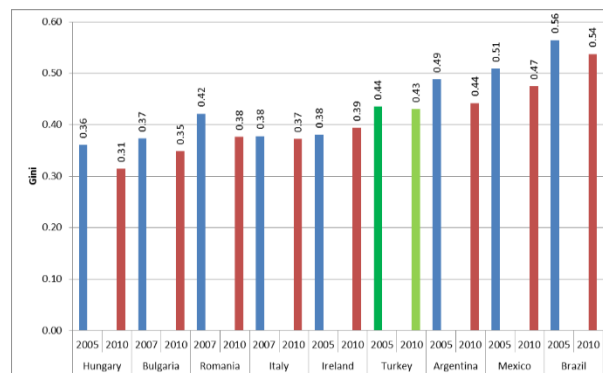
**Turkey's rising prosperity has been shared.** Between 2002 and 2012, the consumption of the bottom 40 percent increased at around the same rate as the national average. Over the same period, extreme poverty fell from 13 to 4.5 percent, while moderate poverty fell from 44 to 21 percent and access to health, education, and municipal services vastly improved for the less well-off.<sup>1</sup> Since the global financial crisis, Turkey has created some 5.7 million jobs, although increases in the labor force, including through a rise in the participation of women, has kept unemployment at around 10 percent. Turkey's achievements and future potential have been a source of inspiration for other emerging markets, and the World Bank has recently completed a report<sup>2</sup> describing the country's experiences in order to share them with interested developing countries (see Turkey Knowledge Program below).

**Since 2012, however, growth has moderated.** In 2013–14, election-related uncertainties, geopolitical developments, and concerns over the Government's handling of corruption allegations dampened confidence and weakened private demand. After growing 4.2 percent in 2013, the economy slowed to 2.9 percent in 2014. Moreover, Turkey has been vulnerable to changes in investor

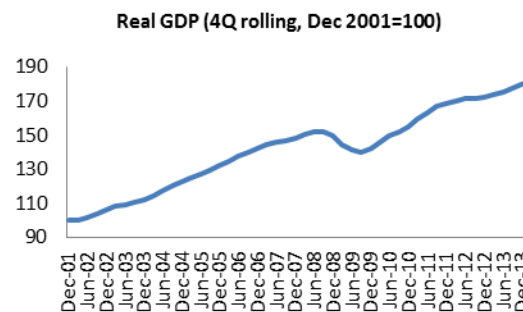
<sup>1</sup> Extreme poverty and moderate poverty are respectively defined using the World Bank's Europe and Central Asia regional poverty line of US\$2.5 and US\$5 per day purchasing power parity.

sentiment and, together with other emerging markets, has experienced significant currency and financial market volatility since mid-2013. Moderate growth and a weaker lira narrowed the current account deficit (CAD) to 5.7 percent of GDP in 2014 from close to 10 percent in 2011. Falling oil prices will help further this year.

**Figure 1. Inequality among Selected Middle-Income Countries**



**Figure 2. Turkey has experienced strong growth since 2001**



**Economic activity is expected to remain subdued in the first half of 2015, limiting the full year growth rate to 3.0 percent.** Given the level of uncertainty in the economy, households and corporates are likely to postpone their spending decisions until after the June elections, indicating that any meaningful acceleration in economic activity is unlikely before then. However, private spending is expected to recover markedly following the elections and become the main driver of growth again in the second half of 2015. This rests on the assumption that political uncertainty will be resolved after the elections, and confidence in the economy will be restored. The recovery in

<sup>2</sup> World Bank, "Turkey's Transitions: Integration, Inclusion, Institutions" (Washington, DC: World Bank, 2014).

the second half of 2015 is expected to continue through 2016, bringing the growth rate up to 3.9 percent. For 2017, growth is projected to slow toward its new potential growth rate. Thanks to lower oil prices, the CAD will fall to 4.4 percent in 2015 and the external financing requirement will decline to about US\$200 billion (US\$34.6 billion to cover the CAD, US\$166 billion to roll over existing external debt). Inflation is expected to slow to 7.0 percent in 2015, which is still high but within the band of the Central Bank of the Republic of Turkey (CBRT).

**To realize its underlying growth potential, Turkey needs to accelerate structural reforms and improve trust in its institutions.** Turkey's main assets include a young, dynamic population, a large domestic market, and a strategic location, combined with strong infrastructure and much improved public services. However, domestic and foreign investors remain deterred by unpredictability and a lack of transparency in the business climate, and a lack of trust in key institutions. An increase in business investment and innovation as well as in education and skills is needed to boost productivity growth and create enough high-productivity jobs to accommodate Turkey's rapidly growing labor force. The recently unveiled action plans for the 25 priority transformation projects of the 10th National Development Plan provide for an ambitious reform agenda, but the gap between policy announcements and implementation has widened in recent years and needs to be closed to regain investor confidence.

**Key World Bank Group contributions:** The World Bank maintains a regular policy dialogue on structural policies to boost sustainable and inclusive economic growth, including through multiyear Development Policy Loans (DPLs). The latest series, "Sustaining Shared Growth DPL," was approved in July 2014. The World Bank is also contributing with economic memoranda on key themes of economic growth such as informality, savings, and trade, an ongoing study on investment, and multiyear assessments focused on public expenditure and financial management.

## EU Harmonization

The EU accession process has been a significant anchor for reforms in Turkey, but

**progress has slowed in recent years.** The EU is Turkey's largest economic partner, accounting for around 40 percent of Turkish trade. Turkey has benefited significantly from deepening integration with the EU through the growing sophistication of both exports and imports and access to financing. Turkey became a candidate for full EU membership at the Helsinki summit in 1999. Accession negotiations began in October 2005, but progress has slowed in recent years in the face of a number of political obstacles (including relations with Cyprus). Both sides are making efforts to regain momentum, with a focus on economic cooperation, in particular the modernization of the Customs Union and energy relations.

**Out of the 35 chapters of the *acquis communautaire*, only 13 have been opened since Turkey's negotiations began,** and only one chapter—science and research—has been closed. In 2013, the chapter on regional policy was opened and a roadmap on visa liberalization was signed. However, since then, concerns over deteriorating press freedom, government intervention in the judiciary, and the perception of growing authoritarianism in Turkey have drawn repeated criticism from Brussels, putting the renewed momentum in the accession process at risk.

**Key World Bank Group contributions:** The World Bank has strongly supported Turkey's EU accession process over the past decade. It is currently supporting Turkey in harmonizing energy and environmental regulations with EU standards and also undertook an independent evaluation of the Customs Union, which was officially launched in April 2014.

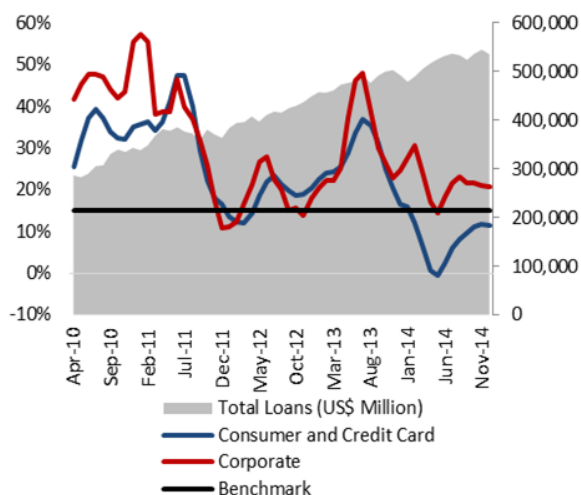
## Financial Sector

**The Turkish banking sector proved resilient against the effects of the global financial crisis.** Turkey's financial sector remains well capitalized and profitable, and Turkey was the only OECD country in which no explicit or implicit public sector support was provided to the banking sector in the wake of the 2008–09 crisis.

Since 2010, the monetary and banking authorities have introduced a wide array of macro prudential tools to manage Turkey's exposure to volatile international capital flows.

These tools have included a variety of differentiated reserve requirements, by client, source of funding, and maturity, combined with an interest rate corridor to discourage hot money inflows. The effectiveness of these tools continues to be debated, and Turkey has not avoided sharp credit cycles as investor appetites have waxed and waned.

**Figure 3. Credit Growth**  
(Foreign Exchange Adjusted, Annualized, 3-M MA) and Total Loans (US\$ Million)



Source: Republic of Turkey, Banking Regulation and Supervision Agency.

**Despite significant exchange rate depreciation since mid-2013, the Turkish banking sector is likely to remain resilient thanks to robust capital buffers and a healthy loan portfolio.**

With a capital adequacy ratio of 16.3 percent as of December 2014, a return on assets and a return on equity of 1.32 percent and 12.18 percent, respectively, and a nonperforming loan ratio of 2.85 percent, Turkey's banking sector stands out positively in international comparisons. Household balance sheets are healthy, with a relatively low total household liabilities-to-GDP ratio of 30 percent; however, total household liabilities are increasing faster than assets, resulting in historically low saving rates. The corporate sector's foreign exchange exposure is high, albeit offset to some extent through indexed pricing and owners' foreign exchange cash holdings. In addition, by regulation, only naturally hedged enterprises (exporters) and firms borrowing in excess of TL 5 million at maturities above one year are eligible to borrow in foreign exchange. Although deposits remain the

main funding source, banks are increasingly reliant on short-term foreign funding, and the loan-to-deposit ratio reached 121 percent as of December 2014. Corporate sector debt dynamics and banks' short-term foreign funding should be monitored closely.

**Deeper and broader financial markets will promote investment and competitiveness.**

Banking assets amounted to just 111 percent of GDP by end-2013, still relatively small for a country of Turkey's income level. Capital markets remain largely underdeveloped. The limited availability of long-term finance is a critical obstacle to private sector growth. The maturity profile of both assets and liabilities remains short term in nature; the average maturity of deposits vacillates around 56 days for Turkish lira and 92 days for foreign exchange deposits, and 49 percent of Turkish lira loans and 21 percent of foreign exchange loans bore a remaining maturity of one year or less as of September 2013.

**Key World Bank Group contributions:** The World Bank has provided a series of credit lines as bridge funding to the banking sector to lengthen the maturity of funding and widen the range of instruments available to small and medium-sized enterprises (SMEs) and other target sectors (such as renewable energy and energy efficiency). Technical assistance and advisory services have covered consolidated supervision and bank resolution, capital market development (jointly with the International Finance Corporation [IFC]), and support for microfinance.

**The development of domestic capital markets remains a core objective of IFC.**

Under the asset-backed security legislation enacted in 2009, IFC helped its client Şekerbank issue a covered bond, the first such bond issued in Turkey. In 2014, IFC helped Şekerbank again to issue another covered bond, which will allow the bank to raise long-term funding from international investors for financing micro, small, and medium-sized enterprises (MSMEs). Also, in FY13, IFC helped Denizbank issue a covered bond with the proceeds to be used to fund SMEs and agribusiness sectors. IFC also introduced an innovative product through Akbank, helping to revive the Diversified Payment Rights (DPR) securitization market, which had been dormant in Eastern Europe and Central Asia since the start of the financial crisis in 2008. Since the

reopening of the DPR securitization markets, IFC has used the same financing structure to provide a total of US\$295 million to leading Turkish banks, including Akbank, Denizbank (2011), Yapı Kredi Bank (2012), and Finansbank (2013), for on-lending to agribusiness, small farmers, MSMEs, and sustainable energy, energy-efficiency, and renewable energy projects.

## Competitiveness and Private Sector Development

Turkey is positioned as a typical middle-income country in global competitiveness rankings. It occupies 44th place in the 2014 World Economic Forum's *Global Competitiveness Index* and is ranked 55th in the World Bank's *Doing Business* rankings. Net foreign direct investment (FDI) inflows averaged less than 2 percent of GDP between 2002 and 2013, below China, Russia, Brazil, Mexico, Poland, Malaysia, and other upper-middle-income countries in Europe and Latin America. As a share of all FDI to emerging markets, Turkey today receives roughly the same as a decade ago, after significantly raising its share during the 2005–07 period.

Figure 4. Firm Management Quality



The burdensome bureaucracy and concerns about rule of law in the country still hold investors back, according to surveys regularly conducted with foreign firms. The 10th National Development Plan 2014–18 focuses on increasing the productivity and competitiveness of the Turkish economy through improving the overall

environment for doing business and the relevant regulatory framework. A series of legal initiatives, including the introduction of a new commercial code, a new patent law, and new income tax legislation, confirm the Government's commitment to improve the business climate. This is particularly critical for SMEs, which account for 80 percent of jobs in Turkey.

The 2013 enterprise survey suggests that high taxes, informality, political instability, and access to finance are the top four obstacles to business in Turkey. The survey suggests that regulatory barriers are highest for SMEs, higher even than for micro-firms. At the same time, many SMEs also need to modernize their governance and introduce professional management to improve their ability to absorb and adapt new technologies. In a recent survey of management quality, Turkey ranked between China and Argentina and well below advanced economies.

**Key World Bank Group contributions:** In addition to financing through lines of credit, Bank support has focused on policies to improve the investment climate; boost SME performance; promote innovation; encourage the start-up of knowledge-based companies; facilitate the commercialization of public research and development (R&D); and enable technology adoption. Bank analytical work has also included a report on Competition Policies, with a focus on professional services, and technical notes on Industrial Land Allocation and Secured Transactions that address specific weaknesses identified in the *Doing Business* report.

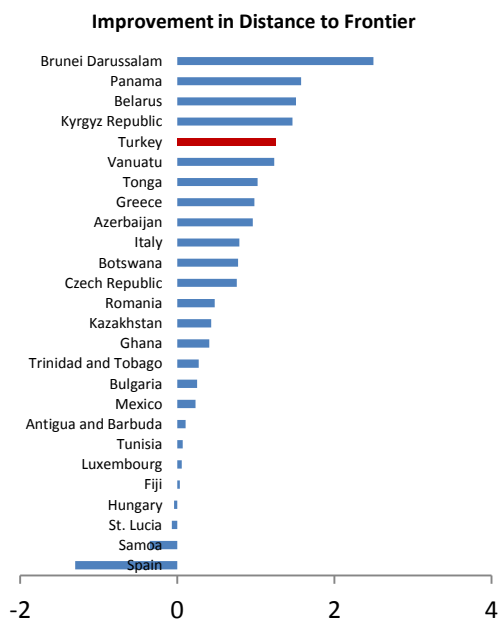
Currently work is under way to carry out an enterprise survey at the regional level as part of the **Regional Investment Climate Assessment (RICA) project**. Jointly sponsored by EU Instrument for Pre-Accession (IPA) funds and Turkey's Ministry of Development, the project will produce 26 NUTS-II<sup>3</sup> level regional Investment Climate Assessment Reports as well as a national-level report. In addition, the country's investment support and promotion framework will be analyzed, and recommendations will be provided to the ministry. Finally, the project includes a critical capacity-building component that aims to improve

<sup>3</sup> NUTS stands for Nomenclature of Units for Territorial Statistics, a geocode standard used by the EU for referencing the subdivisions of countries for statistical purposes.



the capacity of the staff of development agencies to undertake surveys and analyze their results.

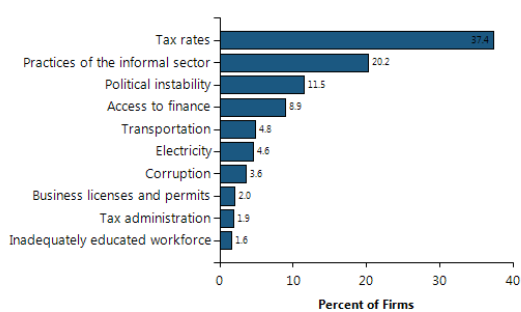
**Figure 5. Improvement in “Distance to Frontier”**



Source: *Doing Business 2014*.

**One of IFC’s priorities in Turkey is supporting Turkish companies as they expand into other developing countries.** This helps encourage private sector development by increasing the flow of capital, technology, management expertise, and job creation. Promoting partnerships between private sector players in developing countries is a crucial element of IFC’s approach. During FY12–15, IFC invested US\$250 million to support six Turkish companies in expanding into other developing countries.

**Figure 6. Top 10 Business Environment Constraints**



Source: BEEPS 2014.

## Labor Markets

**A major medium-term challenge for Turkey is to boost the participation of youth and women in the labor force.** Despite notable success in job creation in recent years, almost half of the Turkish working-age population (WAP) does not enter the labor market, mostly due to the low labor force participation (LFP) rate of women, which is around 30 percent, less than half the OECD average of 65 percent. About 35 percent of youth, mostly women, are neither working nor attending school—the highest share of inactive youth among OECD countries. For the youth who do work, about half (48 percent) work in the informal sector, compared to a population average of 35 percent.

**Labor market rigidity and the high cost of labor are important constraints to job creation in Turkey.** Minimum wages are high (the ratio of the minimum/median wage is 71 percent, the highest in the OECD), and Turkey has a very generous severance payment system. The Government has prioritized job creation in the 10th National Development Plan and has recently approved the National Employment Strategy. It foresees a move toward more flexicurity, with reforms to severance pay, unemployment benefits, and temporary work contracts. Furthermore, the Turkish Employment Agency (ISKUR) plans to further boost its activation programs in order to increase the employability of lower-skilled workers.

**Table 1. Key Labor Market Indicators for Turkey, various years**

	2006	2012	2014*	2018**
Labor Force Particip. Rate (LFP) (percent)	46.3	50.0	51.0	53.8
Women’s LFP (percent)	23.6	29.5	30.1	34.9
Employment (millions)	20.4	24.8	26.1	29.9
Unemployment Rate (percent)	10.2	9.2	10.7	7.2
Youth Unemployment Rate (percent)	19.1	17.5	19.4	13.0
Informal Employment (percent)	47.0	39.0	35.1	30.0
Placement Rate of Unemployed Registered in ISKUR (percent)***	12.3	23.5	25.5	50.0

Source: 2006 and 2012 figures are from Turkish Statistical Institute (TUIK), cited in the 10th National Development Plan (NDP).

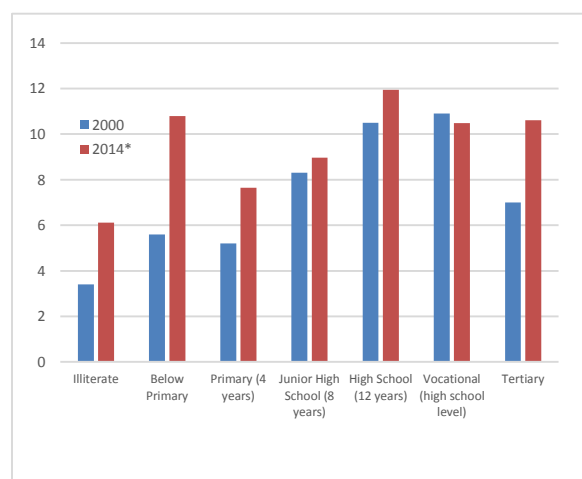
\*Women’s LFP rate and informal employment rate: average over months through November 2014 (last available data point). ISKUR data are annual. The rest of the rows present seasonally adjusted values as of November 2014.

\*\*A target of the plan.

**Turkey’s labor force is characterized by a low level of schooling, despite improvements in younger cohorts.** More than half the WAP has a formal education of fewer than eight years. Younger workers are better educated and skilled but still lag behind their counterparts in OECD countries. Despite government targets to increase educational attainment, the WAP’s average schooling level will remain a challenge, especially given ongoing structural changes in the economy.

**The mismatch between the skills obtained in formal education and those required by business is another obstacle for productive job creation.** The unemployment rate among higher education graduates increased significantly between 2000 and 2014 and has now reached the rate of vocational high school graduates. This is consistent with a mismatch between the skills gained in higher education and those needed in the labor market. Furthermore, business owners and top managers report a shortage of employees with the requisite occupational and socio-emotional skills as an important reason for being unable to fill vacancies.

**Figure 7. Unemployment Rate by Education Level, 2000 and 2014**



Source: TUIK.

\* Average over months through November 2014 (last available data point).

**Key World Bank Group contributions:** The ongoing Shared Prosperity DPL series supports reform of Turkey’s labor market policies and programs. Other work includes technical advice and studies related to: managing labor markets through the economic cycle; improving labor

market flexibility and worker protection; activating and strengthening public employment services and Active Labor Market Programs (ALMPs); and defining and creating good jobs in Turkey. Enhancing job opportunities for women is a major focus of the current program. In this regard, the Bank has been implementing a Swedish International Development Cooperation Agency (SIDA)-funded project to support the increased access of women to economic opportunities in Turkey, together with the Ministry of Family and Social Policies.

**IFC has recently rolled out a “Banking on Women” program in Turkey.** Women-owned businesses represent nearly 40 percent of registered MSMEs, yet only 15 percent of them have access to formal finance. IFC and its clients are trying to change that. In 2011, IFC partnered with FMO, the development bank of the Netherlands, to provide a US\$40 million loan to Akbank to increase financing to women-owned SMEs. More than one-half of the loan amount has been on-lent to women entrepreneurs. As part of the same program, in 2012 and 2013, IFC provided a US\$30 million loan to Fibabanka and US\$50 million to Şekerbank, also for lending to women-owned SMEs.

## Poverty and Social Protection

**With rapid economic growth after the 2001 crisis, Turkey’s social outcomes have improved.** Poverty decreased from 44 percent in 2002 to 22 percent in 2012. Other dimensions of well-being also improved significantly (see below).

**Large inequalities persist, however, and social mobility is still limited.** Turkey’s Human Development Index (HDI) increased from 0.671 in 2005 to 0.759 in 2013, putting Turkey in the high human development group. However, Turkey’s inequality-adjusted Human Development Index (IHDI)—which adjusts for inequalities in health, education, and income measures—is 16 percent lower than its nominal HDI. A large share of this inequality is explained by factors outside of an individual’s control; for example, one-third of wealth inequality is due to birth place and parental education.

**The Government has developed an integrated social assistance system geared toward helping welfare recipients get out of poverty.** Social

assistance spending has increased rapidly in recent years (from 0.4 percent of GDP in 2003 to 1.26 percent of GDP in 2013), but there is still room to increase benefit generosity, as only about 10 percent of beneficiary household consumption is covered by social assistance transfers. Coordination across social assistance programs has been limited in the past. In 2011, the responsibility for all central government social assistance benefits was combined under the new Ministry of Family and Social Policies. The Government has been implementing an Integrated Social Assistance Information System, with a single proxy means test to target benefits more effectively. Links between the social assistance system and active labor market policies implemented by ISKUR are being strengthened.

**The 2008 social security reform improved coverage of public pensions and is expected to yield significant savings, but these are insufficient to ensure pension system balance over the long term.** At around 7 percent of GDP, pension spending in Turkey is still modest in comparison to high-income OECD countries, reflecting a relatively young population. However, more than half of pension spending is financed through budget transfers. A high system dependency ratio (fewer than two people contributing per beneficiary), thanks to generous eligibility criteria for public pensions (early retirement, low minimum years of service), accounts for these deficits. The 2008 adjustments to the retirement age, eligibility criteria, and accrual rates are being phased in over a period of several decades, too slow to counter the effects of rising coverage and a maturing population. Pension system deficits are expected to remain around 3 percent of GDP until the middle of the century.

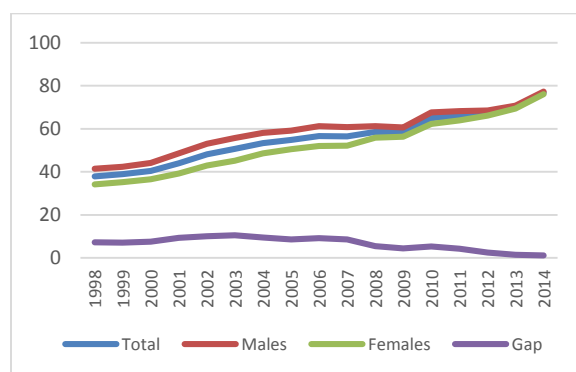
**Key World Bank Group contributions:** A series of World Bank policy-based loans has supported the implementation of Turkey’s social security reforms. A study of Turkey’s social assistance system is being undertaken. Technical assistance is ongoing to help ISKUR improve the targeting and effectiveness of its employment support and activation services, and the World Bank is working with the Turkish Statistical Institute (TUIK) to improve the methodology for poverty measurement.

## Education

**Turkey has made significant progress in increasing access to schools.** Turkey has achieved almost universal primary school enrollment, and secondary enrollment was at 76.7 percent as of 2013–14. The Government is actively seeking to expand secondary school enrollment to comply with the new “4+4+4” law on education, which mandates compulsory education up to grade 12. The gender access gap has disappeared in primary education and narrowed significantly in secondary education. Some variation by location remains, however. Preprimary education (three- to five-year-olds) and higher education enrollment rates are rapidly increasing but remain well below the OECD average.

**In parallel with rising enrollment rates, Turkey’s average PISA performance scores have improved significantly, and inequality in student performance has declined.** The country’s average score of the three Program for International Student Assessment (PISA) disciplines (reading, math, and science) increased sharply by 31 points between 2003 and 2012, equivalent to more than one-half of one year of schooling. This average improvement has gone hand in hand with reductions in the inequality of educational achievement. For example, the performance of the students from the poorest quintile of the population went up by 56 points between 2003 and 2012, much higher than the 25 point rise for students from the richest quintile.

**Figure 8. Enrollment Rate in Secondary Education (%)**



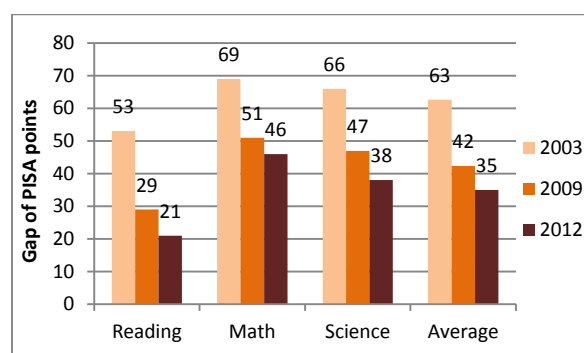
Source: TUIK.

**Looking ahead, Turkey must build on its achievements to further expand quality and broaden access to good education for all.** The



performance of Turkey’s average 15-year-old is still 35 points (almost a full year) behind the OECD average. Around 22 percent of Turkish 15-year-olds do not read well enough to be able to analyze and understand what they read and are therefore considered by the OECD to be “functionally illiterate,” although this rate has been rapidly declining since 2003, when the equivalent proportion was 36 percent. Moreover, despite some progress in narrowing the achievement gap between students from the richest and poorest income quintile groups, it was still about 93 points (or more than two years of education) as of 2012.

**Figure 9. Gap in PISA Scores between Turkey and OECD by Discipline**



Source: World Bank, based on PISA datasets.

**Key World Bank Group contributions:**

Analytical reports on education quality have been prepared in consultation with the Turkish Government. Policy dialogue has focused on school selection, financing, and autonomy, and more recently on higher education financing and quality control.

**IFC’s strategy for the higher education sector** in the Europe, Middle East, and North Africa region puts a substantial emphasis on linking education to job preparedness. IFC’s Education for Employment (E4E) initiative aims to support job-oriented education as one of the highest priorities in the region. IFC has invested in three education sector projects in Turkey: US\$67.5 million to Ozyegin University to support its investment in a modern campus in Istanbul; US\$10.3 million in equity investments to support the growth of Astra, the largest private dorm operator in the Anatolian city of Afyon; and US\$6 million to Plato, a Turkey-

based education company providing vocational training, to support its expansion in Turkey, Central Asia, and the Middle East and North Africa.

**Health Care**

**Turkey’s Health Transformation Program is an inspiration and example to others of how poor health performance can be turned around quickly.** In 2003, the Government introduced the Health Transformation Program (HTP) to reform the way health care was financed, delivered, organized, and managed. As a result of the HTP, Turkey has considerably reduced maternal mortality, which fell from 28.5 deaths per 100,000 live births in 2005 to 15.9<sup>4</sup> deaths in 2013. There has also been a sharp decline in infant mortality from 20.3 deaths per 1,000 live births in 2005 to 12 in 2012.<sup>5</sup> Turkey has met its Millennium Development Goal (MDG) target on both counts.

**Turkey has achieved near universal health insurance coverage, increasing financial protection and improving equity in access to health care nationwide.** By 2011, 90 percent of the population was covered by some form of health insurance, and the ability of households to meet the costs of health care has risen dramatically. Turkey has increased access to, and the utilization of, health services through improved coverage (with the implementation of the targeted Green Card Program for the poor and its integration into the social security system in 2012) and the introduction of family medicine practices in 2004 to expand access to primary health care, which now covers the entire country. As a result of improvements in service delivery, consumer satisfaction increased from 39.5 percent in 2003 to 74.8 percent in 2013.

**Health Services**



Source: World Bank.

<sup>4</sup> Government of Turkey, Ministry of Health, “Health Statistics Yearbook” (Ankara: Ministry of Health, 2013). The World Health Organization (WHO) presents the maternal mortality ratio (MMR) for 2013 as 20 percent.

<sup>5</sup> WHO, “World Health Statistics” (Geneva: World Health Organization, 2014).

**Going forward, the key challenge will be to keep costs under control as demand for health care increases, the population ages, and new technologies are introduced.** Total health expenditure as a share of GDP has been increasing steadily since 2003, reaching 6.7 percent in 2011, which is on par with countries with similar income levels. As access has widened, the Government has focused attention on efficiency improvements and cost control, while maintaining high-quality services for the entire population. The authorities have launched an ambitious health public-private partnership (PPP) program, aiming to leverage private funding and efficiencies in the management of integrated new hospital campuses, while redeveloping existing hospital buildings as part of ongoing urban renewal efforts.

**Key World Bank Group contributions:** Turkey's Health Transformation Program was supported by the provision of two Adaptable Program Loans (APLs). Studies include a joint OECD-World Bank report on health system performance that benchmarked Turkey globally and brought international policy experience to bear on the system. A health sector integrated fiduciary assessment has also been conducted. The most recent studies focused on family medicine practice, hospital autonomy, health financing, and the political economy of the transformation program. The World Bank also supported an international conference on the 10th year of the Health Transformation Program to share Turkey's lessons with other countries. Discussions are under way on the development of a new investment lending operation to support Turkey's focus on strengthening public health and primary care, increasing the efficiency of hospital management, and enhancing the evidence-based policy-making capacity of the Ministry of Health.

**IFC and the Multilateral Investment Guarantee Agency (MIGA) participate as anchor investors in several health sector PPPs.** IFC is focusing its strategy on improving access to high-quality private health care services, including in underserved and frontier regions outside major urban areas. IFC is supporting health care companies looking for growth potential in the region and specialized providers of diagnostic and health care services with the potential to reach poor and middle-income groups. In 2012, IFC made a US\$15 million loan and US\$15 million equity investment in MNT, a

leading oncology services provider. IFC is also supporting the Ministry of Health's PPP program and has entered into three health care PPP mandates, for a total financing of US\$538 million. MIGA is participating to insure private sector sponsors in the PPP program. MIGA has also successfully closed its first insurance for this program and is currently assessing two additional projects for support to private sector investors.

## Energy and Climate Change

**Turkey's energy sector reforms have attracted significant private investment and ensured that capacity has kept pace with the economy's needs.** Cost-based pricing, improved sector regulation, and successful privatization allowed Turkey to increase electricity transmission and peak capacity by 80 percent between 2002 and 2012.

**Moreover there has been a notable shift toward renewables,** as electricity produced from renewable generation facilities nearly doubled from 34,000 gigawatt hours (GWh) in 2002 to 65,000 GWh in 2012. Turkey is aiming for a share of electricity generated from renewable sources of at least 30 percent of total installed capacity by 2023, mainly through utilizing technically and economically viable hydro potential and 20,000 megawatts (MW) of wind-installed capacity. The Parliament passed a new Renewable Energy Law at the end of 2010, guaranteeing prices and providing incentives. With many licenses given to domestic investors, the challenge remains of how to capitalize on Turkey's potential to attract strategic investment and world class technology to its renewable sector.

**Energy efficiency is critical to Turkey's energy security and a key component in Turkey's National Climate Change Strategy.** A legal, regulatory, pricing, and institutional set-up to promote energy efficiency has been established, including a comprehensive set of energy-efficiency regulations. In 2012, the Government adopted an Energy Efficiency Strategy targeting a 20 percent reduction in energy intensity by 2023. Energy-efficiency credit lines have been put in place with government and international financial institution (IFI) support to help realize these targets.

**Climate change is a threat to Turkey and the Government is stepping up its engagement**

**internationally and domestically.** Turkey became a party to the Kyoto Protocol in 2009. A National Climate Change Strategy was approved in 2010, and a National Climate Change Action Plan was issued in July 2011. Both foresee a phased approach toward greater mitigation and adaptation efforts.

### Renewable Energy



Source: World Bank.

**Key World Bank Group contributions:** The energy sector is a key area of focus for the World Bank Group in Turkey. World Bank funds support improved electricity and gas supply security; the financial viability of the electricity sector; increased energy efficiency; and greater private sector investment. Turkey was the first country to benefit from the Clean Technology Fund (CTF). The Environmental Sustainability and Energy Sector Development Policy Loan (ESES DPL) series<sup>6</sup> has played a central role in supporting the energy sector, focusing on enhancing private sector clean technology investments and on integrating climate change considerations in key sector policies and programs.

**Through the World Bank Group, Turkey is participating in the Partnership for Market-Readiness to help implement a greenhouse gas monitoring, reporting, and verification (MRV) system** in the power and industrial sectors, and prepare for a possible use of a market-based instrument in the future to mitigate the impact of climate change. An EU IPA-funded technical assistance operation to deepen reforms of the power and gas markets, support energy efficiency, and promote renewable energy integration is under implementation.

**For IFC, climate-related business is a strategic priority, globally and in Turkey.** Private sector investment is vital to Turkey's power sector. IFC is helping to develop private power generation capacity, enhance energy supply security, and utilize its abundant renewable energy resources to meet the country's growing energy needs. Since 2008, IFC has invested US\$2.6 billion in the sector, including over US\$1.7 billion through mobilization. Through its investments in the power sector, IFC has reached 7.9 million customers. In 2013, IFC provided a US\$125 million loan to a greenfield 805-MW combined cycle natural gas-fired power plant. In 2014, IFC invested US\$165 million in secondary shares and subscribed to share capital increases of a private power and water company in order to provide equity for the pipeline projects that are expected to materialize in the next 2–3 years. With a focus on renewables, the financing has supported five projects across the country, including the construction of gas, hydro, and wind power plants. By mobilizing capital, IFC is ensuring that Turkey can expand its generating capacity and develop environmentally friendly projects. IFC also supports climate change projects through its activities in the financial sector. In 2014, IFC provided a US\$96 million loan to a pioneer company in sustainable energy finance in Turkey.

### Environmental Management and Municipal Services

**In the context of harmonization with EU standards, Turkey is developing public policies and incentives that support sustainable environmental management.** Chapter 27 of the EU *acquis communautaire* on the environment was opened in 2009. Turkey is generally in line with EU environmental legislation with regard to environmental impact assessments (EIAs) and waste management. Progress has also been achieved on air quality and industrial pollution control. One key area of focus for Turkey's agenda of alignment with the EU *acquis* is the EU Water Framework Directive. The Turkish Government has adopted a basin-level approach for the preparation of river basin protection and management plans. While Turkey's legislative alignment has made excellent progress,

<sup>6</sup> The ESES DPL series consists of the Programmatic Electricity Development Policy Loan (2009), ESES DPL2 (2010), and ESES DPL3 (2012).

implementation will require time and significant funding.

**The demand for quality urban environmental management and municipal services is expected to continue to rise in Turkey.** Turkey is experiencing rapid urbanization, with about 72 percent of Turkey's population living in urban areas, amid expectations that this will increase to more than 80 percent by 2030. Investments to implement the EU environmental *acquis* are also expected to place an increasing burden on Turkey's public sector finances over the next two decades. Moreover, citizen demand is increasing for quality urban spaces, better public transport, and more environmentally sustainable urban planning.

**Key World Bank Group contributions:** Development policy lending has supported measures to strengthen environmental management in line with the EU environment *acquis*. Technical assistance supported the Government's preparation of a National Watershed Management Strategy, and a cumulative environmental impact assessment was delivered. Two new projects extend this engagement. The Sustainable Cities program expands the existing *Municipal Services Project* and aims to provide financing to municipalities for the implementation of sustainable development plans and investments, including the high-priority areas of urban transport and energy efficiency. *The Integrated Basin Management Project* will support the implementation of river basin management plans and pilot investments in two river basins, focusing on the coordination of various public institutions and different water users. Additionally, the Bank has helped upgrade Turkey's land registration and cadastre system and supported the introduction of new land valuation pilots.

**In light of Turkey's rapid urbanization, IFC's strategy aims to increase access to finance for municipalities, with the goal of accelerating the completion of essential infrastructure projects.** IFC's first engagement in the municipal sector in Turkey was with the Metropolitan Municipality of Istanbul in 2008 to finance the *Istanbul Metro Project*. This investment was the first Bank financing in Turkey at a subnational level without a sovereign guarantee, and it has become a flagship project for private sector participation in the urban sector. In 2012, IFC provided the

Metropolitan Municipality of Izmir a senior loan of US\$59 million to finance a traffic management system and new emergency response vehicles, in an effort to promote local economic growth by increasing urban mobility and enhancing public safety and security. In 2013, IFC financed two municipal projects in the city of Izmir: a €54 million loan to the municipal water utility Izsu to help finance three wastewater projects; and US\$59 million to the Izmir municipality to finance its wastewater treatment investment program. Recently, IFC invested US\$74.5 million to support two urban tramway lines in Izmir.

## Disaster Prevention and Management



**Since the 1999 earthquake, Istanbul has emerged as an internationally noted example of good practices in disaster risk mitigation.** Istanbul is implementing a *Seismic Risk Mitigation and Emergency Preparedness Project (ISMEP)* that is strengthening critical public facilities for earthquake resistance while supporting measures for enforcing building codes and land use regulations. Turkey managed the emergency response to the major Van earthquake in 2011 (which took 604 lives, injured 4152 people, and left 600,000 people homeless) through its own resources, utilizing the institutional structures established as part of its long-standing cooperation with the Bank.

**Turkey remains vulnerable to natural disasters, however, particularly earthquakes.** The probability of a major earthquake affecting Istanbul in the next 30 years is over 50 percent, while the likelihood of such a disaster in the next decade is around 30 percent. A study assessed that this could result in 87,000 fatalities, 135,000 injuries, and heavy damage to 350,000 public and private buildings. In reaction to this study, 2,500 public buildings, primarily schools and hospitals that would have necessary emergency functions in the



aftermath of a disaster, have been prioritized for retrofitting or reconstruction.

**Key World Bank Group contributions:** The World Bank supports the ISMEP, including the retrofitting or reconstruction of public buildings and historical monuments. The institutional support provided to improve overall disaster risk-management capacity in Istanbul has now been tested and used in various emergency situations of heavy snow and floods. Since 2011, the European Investment Bank (EIB) and the Council of Europe Development Bank have been providing parallel financing for this project. The World Bank has also supported AFAD, Turkey’s National Emergency and Disaster Management Agency, in mobilizing a US\$1 million grant from the Global Facility for Disaster Reduction and Recovery (GFDRR) in 2014 to support preparation and implementation of AFAD’s new national strategy, including vital technical assistance and capacity building.

## WORLD BANK GROUP PARTNERSHIP WITH TURKEY

**Turkey’s National Development Plans form the basis of the partnership between Turkey and the World Bank Group.** The Ninth (2007–13) and the new 10th National Development Plan (2014–18) overlap the CPS period. The main pillars of both Development Plans are fully consistent with the Country Partnership Strategy (CPS), and the alignment is further fine-tuned through the CPS Progress Report (PR) of October 2014. The CPS FY12–15 has been extended by one year to include FY16, which will allow the CPS to be aligned with the political cycle, as parliamentary elections are scheduled for June 2015. The three main strategic objectives and CPS pillars, namely (i) enhanced competitiveness and employment; (ii) improved equity and public services; and (iii) deepened sustainable development, remain highly relevant.

**The CPS delivered financing of over US\$5.5 billion during FY12–14.** In addition, International Bank for Reconstruction and Development (IBRD) lending of over US\$1.15 million has already been approved in FY15. IFC’s own-account investment program in Turkey is expected to be in

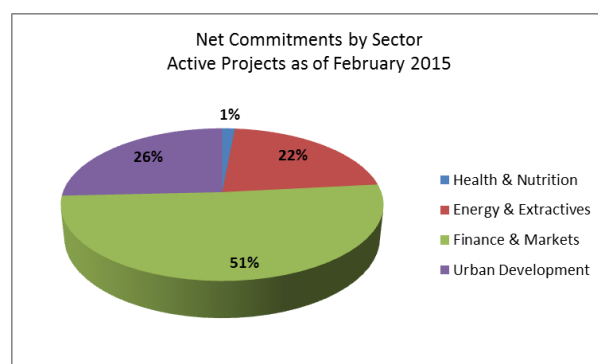
the range of US\$600–\$650 million each in FY15 and FY16.

**Turkey’s development priorities provide ample opportunities for unlocking value from closer cooperation across the World Bank Group.** The IFC and IBRD have agreed on a joint implementation plan to support municipalities with financing and technical assistance. The energy sector is an example in which IBRD work on the regulatory framework has helped unlock significant IFC support to private investment to expand renewable energy and energy efficiency. The same opportunity presents itself in the health sector and in PPPs more generally. In the financial sector, the Bank’s combined balance sheet and product range will be mobilized to increase the domestic funding pool and attract longer-term financing, particularly to benefit Turkish exporters and SMEs and infrastructure financing

## International Bank for Reconstruction and Development

**Turkey’s active portfolio of investment operations with the World Bank’s IBRD financing includes 13 projects with total net commitments of US\$4.810 billion.<sup>7</sup>** The investment portfolio supports the energy sector (51 percent), financial and private sector development (22 percent), urban development (26 percent), and health (1 percent).

Figure 10. Net Commitments by Sector



Source: World Bank.

**Turkey greatly values the Bank’s knowledge work.** A growing area of common interest is sharing Turkey’s experiences with other developing countries. In December 2014, the Bank launched

<sup>7</sup> As of February 2014.



the report, “Turkey’s Transitions: Integration, Inclusion, Institutions,” which looks at the lessons Turkey has learned over the past 30 years. The engagement on knowledge products has started to shift to a more programmatic approach that will include multi-year and multiple output delivery activities. Reimbursable Advisory Services (RAS) are also expected to develop strongly in the coming years from their currently low levels.

**The Turkey program is supported by selected Trust Funds.** The Turkey trust fund portfolio currently consists of 26 (nine Recipient and 17 Bank-executed) trust funds. They amount to US\$125.8 million, with the bulk of funding (US\$100 million) accounted for by the Clean Technology Fund (CTF).

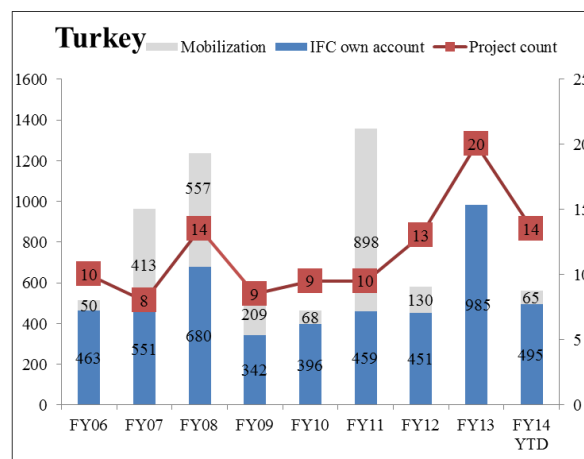
### International Finance Corporation

**Turkey, a member of IFC since 1956, is IFC’s second-largest client.** IFC’s work in Turkey is part of the joint World Bank/IFC CPS. From 2008 to 2011, IFC invested US\$3.7 billion in 47 projects in Turkey, including US\$2 billion from IFC’s own account. In the same period, IFC mobilized about US\$1.7 billion. In 2010, IFC established its Istanbul office as the first IFC Operations Center. Today it is IFC’s largest office outside of Washington, DC, with 200 staff serving 52 countries in the Europe, Middle East, and North Africa region. As of February 28, 2015, IFC’s committed portfolio in Turkey was US\$3.6 billion, which includes US\$2.67 billion in long-term finance own account and US\$0.94 billion in B loans. IFC’s investments in Turkey have exceeded the expected program that was agreed for the FY12–15 CPS period.

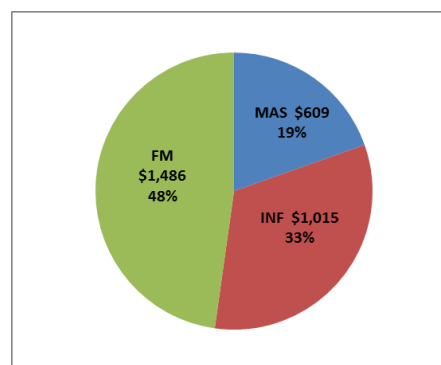
#### With the new CPS (2012–15):

- IFC aims to support underserved segments of the economy, including female entrepreneurs and MSMEs. IFC also plans to support energy sector reform with private sector investments, including energy-efficiency and renewable energy projects, in municipalities and in the poorer regions of Turkey.
- IFC will continue to support the launch of innovative products and explore opportunities to further develop the Turkish corporate bond market.
- IFC will continue to support Turkish companies investing in the region and beyond.

**Figure 11. IFC Annual Commitments in Turkey, \$mn (as of December 31, 2013)**



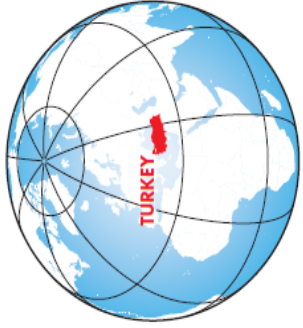
**Figure 12. IFC Committed Portfolio by Sector (US\$ 3.1 billion) (as of December 31, 2013)**



### Multilateral Investment Guarantee Agency (MIGA)

**MIGA support to the Turkish economy has been growing over the past couple of years.** Under the current CPS program, MIGA has delivered financing of approximately US\$65 million to Turkey, and the institutions outstanding guarantee portfolio has reached \$288 million. Turkey is the subject of targeted MIGA business development efforts to unlock opportunities for credit enhancement as well as political risk insurance (PRI) coverage. The most promising opportunities for MIGA lie in the financial sector (supporting on-lending to SMEs and exporters), urban transport, and PPPs in the health care sector.

# TURKEY



- ⊙ PROVINCE CAPITALS\*
- ⊕ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- PROVINCE BOUNDARIES\*
- - - INTERNATIONAL BOUNDARIES

\*Province names are the same as their capitals.



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## I. TURKEY KNOWLEDGE PROGRAM: RESULTS HIGHLIGHTS

Below is a description of selected (i) recently completed or ongoing studies that are published and available on the Turkey World Bank website ([www.worldbank.org.tr](http://www.worldbank.org.tr)), and (ii) technical assistance projects that focus on capacity building.

### “Turkey’s Transitions: Integration, Inclusion, Institutions” – Flagship Report



Steady growth over the past decades has brought Turkey to the threshold of high-income status, prosperity has been shared, and the size of the middle-class has doubled, according to the recently published World Bank report, “**Turkey’s Transitions: Integration, Inclusion, Institutions.**” However, challenges remain. The report describes Turkey’s experiences in the transition from lower- to higher-middle-income country and examines in depth what worked well, what lessons may be applicable to other countries, and what additional reforms are needed for Turkey to avoid remaining stuck at the middle-income level.

#### The main messages of the report include:

- Turkey’s growth has been shared. In 2002–11, poverty (measured as consumption below US\$5 per day in purchasing power parity) declined by half from 43 to 22 percent. Growth in the consumption of the bottom 40 percent averaged around 5 percent in the same period, marginally below the average for the country.
- Turkey’s economic and social progress has been led by the private sector. The

Government has played a supporting role through establishing a sound regulatory framework and investing in public services and infrastructure. Government redistribution has not been a major factor.

- In a less accommodating international environment, Turkey faces major challenges to sustaining economic growth and overcoming the “middle-income trap.” The priorities include: (i) sustaining productivity growth through reforms of the business climate to attract more FDI and encourage innovation, (ii) boosting women’s participation in labor markets to fully benefit from the demographic dividend, and (iii) deepening institutional reforms to strengthen the rule of law, increase transparency, and build greater trust.
- Six main drivers of economic and social progress are identified in the report:
  1. Opening up to trade in the 1980s and closer integration with the EU after the Customs Union agreement entered into force in 1996
  2. Reforming the financial system to reorient it from government to private sector financing and making it stable enough to withstand global capital inflow volatility (even though this is an unfinished agenda)
  3. Reallocating labor from unproductive agriculture to more productive manufacturing and services, mostly as a result of private sector entrepreneurial activity
  4. Supporting structural change through infrastructure and housing investments that made Turkey’s growing cities the main engines of economic growth and through improved access to public services
  5. Overcoming a lackluster labor market to generate an employment miracle of an additional 4 million jobs since 2009 after the global economic and financial crisis, in part through targeted reductions in labor taxes on women and youth
  6. Using the room created by successful fiscal stabilization after 2001 to expand

spending on health care and education while improving quality, thereby starting to close the performance gap with other OECD countries

- The first three drivers provide Turkey's lessons in the benefits of economic integration with Europe and with the world economy. The second three demonstrate the value of shifting to a more inclusive growth model, working with and not against the forces of structural change and building on a strong fiscal foundation.

## Contributing to Pillar 1: Enhanced Competitiveness and Employment

### Turkey's Transitions: Lessons of Integration, Inclusion, and Institutions en Route to High Income

Turkey's solid economic performance over the past decade is a source of inspiration for many emerging markets and offers some valuable lessons for their policy makers. The December 2014 report, **"Turkey's Transitions: Integration, Inclusion, and Institutions,"** analyzes Turkey's progress to the threshold of high income and finds that it has three fundamental sources: (i) successful integration with the world economy based on the anchor provided by trade relations with Europe; (ii) solid public finances in the wake of the 2001 crisis, which have allowed the country to move from debt service to public service; and (iii) a dynamic private sector buoyed by broadly market-friendly policies. As a result of the combination of these three factors, rising prosperity in Turkey was shared. Despite Turkey's significant achievements, however, the transition to high-income status has not yet been completed. In particular, Turkey needs to reform its economic institutions to create a playing field that encourages innovation and investment and thus allows the country to shift to a new growth model and "escape" from middle income.

Overall, the report has unlocked a useful discussion on the importance of economic institutions for sustained growth beyond the high-income threshold. It has also been timed at an important juncture for the domestic policy debate, as the Government released a new batch of 25 Transformation Programs around the time that the

report was discussed in Turkey. In addition to its impact on the domestic debate concerning structural and institutional reform priorities, the report has been very well received in third countries. One of the objectives was to give policy makers in these countries a coherent narrative of Turkey's achievements and remaining challenges, highlighting the main policy lessons. The reception by a multi-country panel during the launch event and subsequent requests for report presentations in third countries confirm that there is an audience for a more systemic attempt to capture the lessons from recent successful development experiences in emerging markets.

### Fostering Open and Contestable Markets



This Bank report benchmarks Turkey's competition policy framework against other economies that represent international best

practice, as well as regional and global standards, with particular reference to EU countries. Key findings from this assessment of competition policy include the need for Turkey to: (i) open professional services to competition; (ii) strengthen economy-wide policies to foster market competition and guarantee a level playing field; (iii) revise the Competition Law to increase the performance and advocacy powers of the Turkish Competition Authority; (iv) strengthen the State Aid Act and its enforcement to minimize potential distortive effects on competition; and (v) mainstream competition and competitive neutrality principles within government policies.

Additionally, Turkey has committed itself to deepening competition in the financial sector by improving the regulatory and legal



landscape of the non-banking financial sector. The Bank's knowledge program includes extensive dialogue with the Capital Markets Board to modernize the environment for the development of mutual funds and corporate bonds. A Corporate Bond Development report was finalized in FY12 (see [Turkey: Corporate Bond Market Development](#)), a



Mutual Fund development study was finalized in 2013, and a report on financial inclusion (Financial Inclusion Landscape Report) is being finalized. In addition, the Bank continued the policy dialogue through a comprehensive Financial Sector Development Technical Assistance Program. Several workshops have been conducted on bankruptcy law, effective financial institution resolution regimes and key attributes of financial stability boards, consolidated supervision, secured transactions, financial inclusion, and innovation. Technical outputs were used by the Capital Markets Board in designing some of the secondary legislation of the Capital Markets Law (2012), which is key to deepening and broadening the financial sector to increase the availability of longer-term finance.

### **Country Economic Memorandum (CEM): Trading up to High Income**

The CEM, released to the public in May 2014, identifies policy options and interventions that can enhance Turkey's trade performance and competitiveness. The main findings are as follows: (i) Turkey's solid export performance has resulted more from the expansion of existing firms selling larger quantities of existing products to new markets (particularly in the Middle East and North Africa) than from the entry of new firms or new products into the export basket. (ii) While Turkey has greatly improved the quality of its exports, it remains specialized mostly in medium-tech goods and is stuck at the lower end of the global value chains in which it participates. (iii) There are considerably underexploited opportunities for greater trade in professional services. (iv) While investments in trade facilitation and infrastructure and targeted support schemes have helped Turkey's export expansion, the necessary upgrading to high-tech goods will require cross-cutting reforms to improve the business climate, attract more FDI, widen access to financing, and expand the skills of the Turkish workforce.

### **Public Finance Review (PFR): Turkey in Transition – Time for a Fiscal Policy Pivot**

The PFR analyzes Turkey's fiscal policy over the past decade (in June 2014) and identifies the broader macroeconomic implications of fiscal policy, notably with regard to supporting future economic growth. It assesses the extent to which adjustments in overall tax and spending levels and

the structure of public finances might further support private savings, investment, employment, productivity, and growth going forward. The work includes capacity building at the Ministry of Development for medium-term planning, including the use of computable general equilibrium (CGE) modeling, to understand the macroeconomic effects of fiscal policy changes.

### **Evaluation of the Turkey-EU Customs Union**



The evaluation, which was published in April 2014, provides quantitative and qualitative estimates of the effects of the

Customs Union (CU) and demonstrates that the trade agreement has been highly beneficial for both Turkey and the EU. Specifically, the evaluation consists of two main parts: i) an assessment of the impact of the Customs Union on trade, FDI and, more broadly, welfare in Turkey through the effects it has had on trade policy, eliminating the need for rules of origin on preferential trade with the EU and implementing the *acquis* in areas it covers; and ii) a review of the current limitations of the existing trade arrangement and the potential gains in dealing with them, as well as proposed modalities for reform.

### **Contributing to Pillar 2: Improved Equity and Social Services**

#### **Programmatic Jobs Series: (i) Labor Markets through the Economic Cycle, (ii) Activation of Low-Skilled Youth and Women, and (iii) Jobs - Activation**



This programmatic series of Economic and Sector Work addresses the cyclical, structural, and inclusive dimensions of the labor market in Turkey, focusing on two key challenges: low employment rates and high informality, particularly among women and youth.



This work is complemented by technical assistance on employment support services. Key outputs include:

- The study, “Managing Labor Markets through the Economic Cycle” (FY13), contains specific policy options for expanding the coverage of unemployment insurance/assistance and adjusting its parameters to labor market conditions.
- A second report, “Good Jobs in Turkey” (FY14), sought to assess the reasons behind the remarkable job performance of the Turkish economy following the crisis and to examine both the quality of the jobs that had been created as well as the sustainability of the progress made.
- A third report, “Activation of Low Skilled Youth and Women” (FY14), complemented this with a technical study reviewing Turkey’s experience with activating the vulnerable population into employment, particularly seeking to assess the performance of Turkey’s Active Labor Market Programs.
- Work in FY15 builds on this analytical base to develop policy recommendations for the creation of “good” jobs in Turkey, focusing on areas such as skills, innovation, and firm management as well as continued technical assistance to support the improvement of employment services.

### **Programmatic Education Series I: Promoting Excellence in Turkey’s Schools**



The education system in Turkey has shown remarkable improvement since 2003 in terms of better student performance and reduced inequality, with a concurrent sustained increase in enrollments. An analysis of Turkey’s 2009 PISA performance seeks to disentangle the causes of this progress. Much of the advancement can be attributed to the country’s rapid economic growth, which has improved socioeconomic conditions, but these effects were less prominent in 2009 than they were in 2003, as the delivery of

education services has become more effective. Notwithstanding these gains, the performance of Turkey’s average 15-year-old still lags considerably behind the OECD average. A number of policy areas would merit further reform to continue to reduce these gaps. These include encouraging an earlier start in school, improving teaching methods and classroom practices, and reducing inequalities of opportunities in upper secondary education by changing the way that children are streamed as they enter high school. (See [Promoting Excellence in Turkey’s Schools](#))

### **Programmatic Education Series II: Closing the Gaps to Improve Early Childhood Education Programs**

Turkey articulated its goals for early childhood education in the Ninth Development Plan. Turkey’s early childhood development (ECD) policies were assessed through the SABER-ECD analytical framework.<sup>8</sup> Turkey was benchmarked on early childhood education (ECE) policies, widespread implementation, and quality monitoring. Turkey plans to move from the emerging and established stage to the advanced stage in the medium to long term. The Ministry of Development has committed to developing a comprehensive ECD strategy that integrates and coordinates interventions in different areas and provides a clear organizational framework for ECD. (See [Expanding and Improving Early Childhood Education in Turkey](#))

### **Programmatic Education Series III: Improving Educational Outcomes**

A set of Policy Notes (FY14) provided advice to the Government of Turkey on ways to improve the transition between lower and upper secondary schools in the country, as well as ways to further improve education quality. The first note, “Improving the Transition between Lower and Upper Secondary Schools in Turkey,” is a natural extension of the previous report, “Promoting Excellence in Turkish Schools,” and looks at the structure of the upper secondary school system in Turkey as well as evidence from international experience on transition mechanisms from primary (or lower secondary) to upper secondary schools. The note was disseminated through a high-level conference with the Ministry of National

<sup>8</sup> SABER stands for “Systems Approach for Better Education Results.”

Education and stimulated public debate on ways to improve educational outcomes. The conference engaged a number of key education stakeholders. A second note was converted to a four-page country profile snapshot based on the analysis of Trends in International Mathematics and Science Study (TIMSS) data that looks at teacher and student characteristics associated with education outcomes. (See [Expanding and Improving Early Childhood Education in Turkey](#))

### **Programmatic Education Series IV: School-Based Management**

Turkey has one of the most centralized school systems in the OECD. Turkey's Ministry of National Education requested the World Bank to undertake an analysis of School-Based Management (SBM) reforms globally and explore options for Turkey. This policy note presents some of the concepts around SBM, provides a summary of international experience, describes Turkey's experience in this area to date, and concludes with some broad policy options. The study suggests that an SBM reform in Turkey may prove fruitful as a mechanism for increasing both the quality and equity of education outcomes, areas in which Turkey has improved its performance greatly in recent years but where much still remains to be done. The note was published on the World Bank website.

### **Creating Equal Opportunities for Men and Women in the Workplace**

This programmatically designed technical assistance builds on the earlier analytic work "Developing a Policy Framework to Promote Female Labor Force Participation," published in 2010, and is centered on two pillars: (i) continuing gender certification for firms promoting gender equity in the workplace, and (ii) conducting a gender-focused Investment Climate Assessment (ICA) to better understand the issues that hinder women's employment and constraints to entrepreneurship. (See [Turkey Female Labor Force Participation Report](#))



*Results under the pillar: gender certification. Eight pilot firms have completed the Turkey Gender Equity Model (FEM) certification*

process, signaling that they have successfully incorporated gender equity into their human resources practices and are fostering equal opportunities for men and women in the workplace. As a result of the program, there is growing momentum among key stakeholders in academia, relevant public institutions, and the private sector to promote gender equity in human resources management. The Ministry of Family and Social Policies has stated its intention to take part in FEM certification, which could lead to the inclusion of public institutions in the process. The Women Entrepreneurs Association of Turkey (KAGIDER) has actively promoted FEM certification both within and outside Turkey and as a result, an additional 30 firms have requested certification.



*Results expected under the second pillar: entrepreneurship. A gender module as part of the Business Environment and Enterprise Performance Survey (BEEPS) has been designed and tested, which produced an analysis of constraints to women's employment and entrepreneurship. An analysis of public programs to support female entrepreneurship has also been completed.*

*Additional Trust Fund Activity financed by Sweden: Increased Access of Women to Economic Opportunities in Turkey. This activity, launched in FY13, supports the above agenda specifically through (i) diagnostic research on issues like the gender wage gap, the sectoral structure of and trends in female employment, barriers to formal employment, and barriers to women's careers in firms; (ii) knowledge sharing and awareness raising through instruments like an interactive web-based portal, the nationwide campaign "Anatolia Step by Step," partnership platforms with the private sector, etc.; and (iii) the strengthening of women's cooperatives.*

### **Contributing to Pillar 3: Deepened Sustainable Development**

#### **New Frontiers in Turkey's Energy Sector Modernization**



Turkey has made remarkable strides over recent decades in implementing market-oriented energy reforms and in promoting new, alternative sources of energy. Among a series of groundbreaking initiatives, last year it successfully completed the privatization of its electricity distribution companies, and it is currently making major strides in developing renewable, clean energy sources to offset its high reliance on imported energy. It is therefore not surprising that Turkey's energy sector has become a good practice model that other developing countries wish to emulate. Accordingly, the Ministry of Energy and Natural Resources (MENR) and the World Bank collaborated to produce a report entitled: "Turkey's Energy Reform: Milestones and Challenges." The report (expected to be published by May 2015) aims to, first, review policy and institutional measures taken to reform the energy sector with a view toward sharing this experience with other countries, and, second, examine current challenges.

In tackling the challenges on the energy and climate change mitigation agenda, the World Bank is working on a number of fronts with counterparts at MENR and other key stakeholders. These efforts include issuance of the *Energy Efficiency Institutional Analysis Report* (expected to be published by April 2015), aimed at identifying ways to optimize institutional arrangements for the promotion of energy efficiency, and the recent launch of a new *Energy Sector Technical Assistance Program* that is planned for implementation over the next six years (2014–19). This program, supported with EU IPA funding for Turkey, would provide sector analysis, technical assistance, and capacity-building support and has the objective of aligning Turkey's energy sector policies with those of the EU. The activity is expected to help promote policy and institutional innovation and modernization in the natural gas market and electricity subsector, as well as renewable energy development and energy-efficiency initiatives.

### **Taking Steps to Value Natural Resources**

Turkey is exerting increasing efforts to value and manage its natural resources on a number of levels. A National Basin Management Strategy (NBMS) was approved in August 2014 by the Higher

Council, and the Government has issued guidelines for strengthening the country's regulatory framework and implementation capacity to address the cumulative environmental impacts of hydropower development, consistent with the EU environmental *acquis* and other global management standards. The World Bank has been supporting these efforts in different ways. Through a Water Sector Dialogue activity, it has brought global



experts from Spain, France, and the United States to present best practice experience on water quality management, water allocation, and water pricing policy. It has also issued a Policy Note to inform discussions with the aim of improving water management and conservation in response to climate change. The Ministry of Forestry and Water Affairs, the Ministry of Environment and Urbanization, the Ministry of Food, Agriculture and Livestock, and the Ministry of Development are all key stakeholders and have agreed on the need to take an integrated approach to more efficient water management at the basin level.

This collaborative interagency framework is also an important basis from which Turkey can engage with the Bank in developing Natural Capital Accounting (NCA) methods under the Bank's Wealth Accounting and Valuation of Ecosystem Services (WAVES) Program. Under this program, the Government would be a key global partner with the aim of using analytical tools and models to value natural resources and factor them into policy analysis and decision-making processes. Initial focus will be on the water and forestry sectors, through a pilot exercise in a selected water basin. This work is expected to inform and build relevant capacity for the implementation of a proposed Bank-financed *Integrated Water Basin Management Project* (FY16). Through this program, it is expected that Turkey will emerge as a regional good practice leader and set an example for other countries in implementing sustainable development principles.

### **Sustainable Cities for Turkey**

Turkey has experienced one of the highest rates of urbanization in the world. Three-quarters of the

population now reside in urban areas compared to 25 percent in 1950, and cities today generate an estimated 92 percent of gross value added. This poses critical policy and investment challenges that are being addressed under the multi-dimensional *Sustainable Cities Program*. A program of technical assistance activities has been structured to support government agencies, including *Turkey Urbanization Review: Rise of the Anatolian Tigers* (planned for publication in May 2015), which chronicles Turkey's urbanization experience and provides guidance on priority policy issues, including city competitiveness, housing markets, urban transport, municipal finance, and interagency cooperation. A dissemination conference is planned for April 2015 to present and discuss findings and policy recommendations.

In parallel, technical assistance is being provided to selected cities in strengthening financial sustainability, as well as to the Treasury and Iller

Bank (the bank of municipalities) in updating their credit and risk analysis methodologies. The World Bank is also helping the Ministry of Environment and Urbanization (MOEU) to develop a "Roadmap" and Guides for Urban Transformation in areas exposed to seismic, landslide, flooding, and other natural disaster risks. Urban Transformation design charrettes have been organized in Gaziantep with local communities to model good practice community engagement methods. Technical assistance is also being provided to selected cities in rethinking their urban transport options and ways of "greening" their systems, including low-emission mass transit trolleybus and Bus Rapid Transit (BRT) systems. These engagements are paving the way for the *Sustainable Cities Project* (FY16), a proposed Bank-financed US\$300 million investment operation designed to improve city planning and infrastructure investments to promote environmental, financial, and social sustainability.



## II. TURKEY: ONGOING PROJECTS – IBRD

### TURKEY: ACCESS TO FINANCE FOR SMEs II PROJECT Updated in March 2015

#### Key Dates:

**Approved:** June 15, 2010

**Effective:** August 12, 2010

**Closing(Extended):** March 31, 2015

#### Figures in million US Dollars\*:

Financier	Financing
IBRD	500
Government of Turkey	
Other Donors	
Total Project Cost	500

#### World Bank Disbursements, million US Dollars\*:

Financier	Total	Disbursed	Undisbursed
IBRD	500	500	-

*\*\*As of March, 2015. Note: Disbursement in the table is the disbursement to the borrowers. Disbursement by borrowers to the final beneficiaries is continuing and expected to be fully disbursed by the end of March 2015. As of March 12, 2015 disbursement to final beneficiary SMEs is US \$ 480 million. Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



#### Background and Objectives:

Small and medium-sized enterprises (SMEs) play a very important role in the Turkish economy, owing to their considerable share in the total number of enterprises and in total employment. SMEs in Turkey represent 99 percent of all enterprises, 78 percent of employment, and 50 percent of investments and are estimated to have accounted for up to 53.3 percent of value added in 2012. A strong SME sector in Turkey would thus positively contribute to key issues such as unemployment, productivity, competitiveness, and sustainable growth. Turkish SMEs are growing slower than both large enterprises in Turkey and SMEs in comparator countries. Access to longer-term investment finance is perceived as one of the most severe obstacles to growth by medium-sized firms. In 2009, in the aftermath of the global crisis, SMEs' share in total credit declined by about 5 percentage points to a little over 20 percent, but it has since recovered in line with economic growth in the recent years. SMEs' share in total credit was around 27 percent as of December 2014.

**The Project Development Objective (PDO)** is to broaden and deepen the access of Turkish SMEs to medium- and long-term finance, with a view to ultimately contributing to an expansion of productive activities and job creation. The project will also serve to provide credit in currently underserved regions, ensuring that these areas are not left behind and that the credit and productivity gap between less and more advanced regions does not widen. The project finances three credit lines to three participating borrowers for on-lending to SMEs: (i) a US\$100 million wholesale credit line to Kalkınma Bank to be intermediated through private retail banks/leasing companies to SMEs; (ii) a US\$200 million credit line to be intermediated through Ziraat Bank as a retail bank directly to SMEs; and (iii) a US\$200 million credit line to be intermediated through Vakıf Bank as a retail bank directly to SMEs.

The SME II project is complemented by the Export Finance Intermediation Loan series, which has been providing medium- to long-term funds to exporting enterprises. The SME II project was restructured in 2014 to improve implementation performance and to provide better access to firms in the priority regions.

#### Results achieved:

- Under the project, access to medium-term finance has been provided to 696 firms.
- Geographical coverage extends to most parts of Turkey, with an emphasis on underserved areas such as the eastern and central regions.
- Funds made available to SMEs through the credit line helped them run their operations smoothly without significant difficulties and strengthen their long-term business opportunities. 8,000 jobs were estimated to have been created by the utilization of these loans.



**TURKEY: INNOVATIVE ACCESS TO FINANCE PROJECT**  
Updated in March 2015

**Key Dates:**

**Approved:** July 22, 2014

**Effective:** December 4, 2014

**Closing:** December 31, 2018

**Figures in million US Dollars:**

<i>Financier</i>	<i>Financing</i>
IBRD	250
Total Project Cost	250

**World Bank Disbursements, million US Dollars\*:**

<i>Financier</i>	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD	250	5	245



**Background and Objectives:**

SMEs play an important role in the Turkish economy yet face significant access to finance issues and are the first casualties of financing pressures. Islamic finance and factoring can provide attractive alternatives to mainstream bank loans to SMEs, including by alleviating constraints related to the lack of collateral and credit history. Nevertheless, Islamic finance is still a small contributor relative to mainstream banks and can benefit from access to longer-term financing. Similarly, factoring accounts for a small portion of the financial system, holding potential not only for SME support but also for the Government's efforts to triple export volumes by 2023.

The Turkish Government has been taking significant steps to increase the role of such frontier finance, in many instances with the support of the World Bank. The World Bank has also been working through various channels to support SMEs and export-oriented enterprises, with Türkiye Sinai Kalkınma Bankası (TSKB) as a key player and valuable partner in these efforts. Finally, the Bank has also begun initiatives to specifically support Islamic finance, recently launching the World Bank Global Islamic Finance Development Center (GIFDC) in Istanbul with the Government's support

**The Project Development Objective (PDO)** is to improve access to longer-term Islamic finance and factoring for SMEs and export-oriented enterprises. A single component will provide US\$250 million equivalent to be intermediated by TSKB through participating banks and factoring companies targeting SMEs and export-oriented enterprises.

The project is complemented by the Export Finance Intermediation Loan and the Small and Medium Enterprises project series, which have been providing medium- to long-term funds to exporting enterprises and SMEs.

**Results achieved:**

- This is the first time ever that the World Bank has used Investment Project Finance to support Islamic finance and factoring in Turkey and worldwide.
- Four participating financial institutions have been signed up (three factoring companies and one participating bank), with two more participating banks expected to be added soon.

**Implementing Agencies:** Türkiye Sinai Kalkınma Bankası (TSKB).

**TURKEY: ACCESS TO FINANCE FOR SMEs III PROJECT**  
**Updated in March 2015**

**Key Dates:**

**Approved:** June 26, 2013

**Effective:** December 13, 2013

**Closing:** December 29, 2017

**Figures in million US Dollars:**

<i>Financier</i>	<i>Financing</i>
IBRD	300
Ziraat Bank/ PFIs co-finance	75
<b>Total Project Cost</b>	<b>375</b>

**World Bank Disbursements, million US Dollars\*:**

<i>Financier</i>	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD	300	25	275



**Background and Objectives:**

SMEs continue to face significant access to finance issues despite their important role in the Turkish economy. SMEs are estimated to account for 99 percent of all enterprises, 78 percent of employment, 55 percent of value added, 65 percent of sales, 50 percent of investments, and 59 percent of exports. The last Investment Climate Assessment—“From Crisis to Private Sector Led Growth” (May 2010)—found strong indications that SMEs face disproportionately severe access to finance constraints. Lack of cash flow–based financing and high collateral requirements further constrain access to finance for SMEs. Overall, they receive only 27 percent of total loans, and they are growing more slowly than both large enterprises in Turkey and SMEs in comparator countries. Their share in total credit declined in the aftermath of the global crisis by about 5 percentage points to a little over 20 percent in 2009 but recovered to 23 percent by mid-2012 as the economy rebounded. The sharp decline demonstrates how SMEs are among the first and most affected casualties of a financing crunch.

At the same time, leasing remains underdeveloped, despite its potential as a key alternative funding source for the corporate sector and SMEs in particular. The largest users of leasing are SMEs, which allows them access to income-producing assets without a significant base for collateral and can play a critical role in their inclusion in the formal financial system. Following continuous volume growth between 2002 and 2006 of around 50 percent, the sector contracted substantially as a result of the global financial crisis in 2008–09, before starting to recover again in 2010. This contraction reflected lower demand for investment finance (with the banking sector shifting to working capital) but also the industry’s focus on SMEs that were hit the hardest. The average transaction size grew substantially, highlighting the shift away from SMEs. In November 2012, the Parliament enacted a new Leasing, Factoring, and Financing Companies Law (supported by the World Bank Competitiveness and Savings Development Policy Operation) that is expected to spur growth in the sector, primarily through the introduction of new leasing instruments.

**The Project Development Objective (PDO)** is to improve access to medium- and long-term finance for SMEs through lease financing. The project will also serve to provide credit to currently underserved regions. The project finances a credit line to Ziraat Bank to be intermediated through leasing companies and banks targeting SMEs through lease financing. The project design incorporates cofinancing and reflow utilization aiming to broaden the impact of International Bank for Reconstruction and Development (IBRD) financing. Ziraat Bank and/or private finance initiatives (PFIs) will provide at least 25 percent of the loan amount as additional cofinancing to on-lend to SMEs. In addition, Ziraat Bank will channel at least US\$300 million of the project reflows to PFIs for on-lending to SMEs for the same purpose and under the same terms and conditions. These two innovative features will help expand the availability of long-term funding to SMEs.

The SME III project is complemented by the Export Finance Intermediation Loan series, which has been providing medium- to long-term funds to exporting enterprises.

**Results achieved:**

Three participating financial institutions have been signed up, with two more expected to be added soon.

**Implementing Agencies:** Ziraat Bank.

## TURKEY: FOURTH EXPORT FINANCE INTERMEDIATION LOAN ( EFIL IV) PROJECT

Updated in March 2015

### Key Dates:

**Approved:** May 22, 2008

**Effective:** June 19, 2008

**Closing:** December 31, 2014

### Figures in million US Dollars:

<i>Financier</i>	<i>Financing</i>
IBRD	900
Government of Turkey	
Other Donors	
<b>Total Project Cost</b>	<b>900</b>

World Bank Disbursements, million US Dollars:

<i>Financier</i>	<i>Total</i>	<i>Undisbursed</i>
IBRD	900	0



### Background and Objectives:

The World Bank started providing the financial sector with long-term funds to develop medium-term financing for exporters with the first Export Finance Intermediation Loan (EFIL) project in 1999. The focus on exporting enterprises ensured their ability to bear the risk of borrowing in foreign currency. Despite improvements in access to finance, medium-term finance has remained a challenge, constraining the investment and financial planning of enterprises. In addition, as the Turkish financial sector suffers from a chronic lack of long-term funds, the project helps to lengthen the maturity profile of the sector.

The fourth EFIL project was prepared as the crisis was looming in Turkey, and the project continues to support the banking sector in developing medium-term finance for exporters. The original loans to Türkiye Sınai Kalkınma Bankası (TSKB) and Türk Eximbank were in the amounts of US\$300 and US\$300 million equivalent, respectively. The project was approved by the Board in May 2008 and disbursements started in FY09. In April 2011, an additional loan to TSKB in the amount of US\$300 million equivalent was approved to scale up the impact of the project. EFIL IV is the fourth in a series of very successful credit lines provided to medium-sized exporters in Turkey. Banks expanded into the SME segment in the middle of the decade, when liquidity conditions improved and macroeconomic conditions stabilized. Two similar projects (SME I and SME II) support medium-term SME credit.

**The Project Development Objective (PDO)** is to address the need for the medium- to long-term financing of investment and medium-term working capital of exporting enterprises and to deepen financial intermediation. The project has three components: (i) a US\$600 million equivalent credit line to TSKB, whereby TSKB in turn provides medium-term finance to participating financial intermediaries for further on-lending to eligible private exporters; (ii) a US\$296 million equivalent credit line to Türk Eximbank whereby Türk Eximbank on-lends to eligible exporters; and (iii) US\$4 million that supports capacity building for improved risk management at Türk Eximbank.

### Results achieved:

- Exports of target firms grew by 117 percent under EFIL II and by 95 percent under EFIL III (vs. aggregate export growth of 81 percent). EFIL III participating firms were more likely to introduce new products, improve environmental management, and enter new export markets compared to a control group of nonparticipating firms.
- In EFIL IV, the median participating firm outperformed its sector by 6 percentage points. The project's impact was stronger during the crisis (2008–10), as the export growth of participating firms was 10 percentage points higher than that of their relative sector. Even more important, during this period, the median export growth rate of participating firms was 50 percent, while Turkish exports contracted by 13 percent. Overall, the performance of participating firms would have been even stronger if 2013 had not been a difficult year for Turkish exports. The indicator has been significantly reduced from 14 percentage points (based on 2012 exports) to 6 percentage points (based on 2013 exports), due to a substantial fall of exports in the metal ware sector in 2013.
- Project implementation has come to an end and an Implementation Completion Report is under preparation.

**Implementing Agencies:** Türk Eximbank and TSKB Bank.

## TURKEY: ECSEE APL6 PROJECT

Updated in March 2015

### Key Dates:

**Approved:** June 11, 2009  
**Effective:** September 29, 2009  
**Closing:** May 31, 2015

### Figures in million US Dollars\*:

Financier	Financing*
IBRD	75.1
Government of Turkey	
Other Donors	
<b>Total Project Cost</b>	<b>75.1</b>

World Bank Disbursements, million US Dollars\*:

Financier	Total**	Disbursed***	Undisbursed
IBRD	71.8	62.2	9.3

\*Signed amount

\*\* \$3.3 million was cancelled

\*\*\* Disbursements differ from financing due to exchange rate fluctuations at the time of disbursement.



### Background and Objectives:

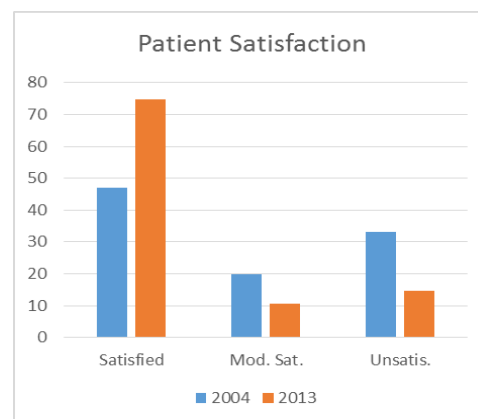
In 2003, the Government of Turkey launched its Health Transformation Program (HTP), a 10-year health reform initiative designed to bring Turkey's health indicators in line with other middle-income countries and those in the Organisation for Economic Co-operation and Development (OECD). At the time, Turkey's health financing system was fragmented, contributing to inefficiency and inequity, and insurance coverage for the poor was scarce. Health care in rural areas was expensive and difficult to access.

The World Bank has been supporting the Government's HTP through a two-phased approach. The first phase, through the Health Transition Project, supported the introduction of the family medicine model and helped build the capacity of the Ministry of Health (MoH) and the Social Security Institute to expand health insurance coverage and improve family medicine service delivery.

The second phase, through the ongoing Project in Support of Restructuring the Health Sector, supports reforms aimed at increasing hospital autonomy, expanding family medicine services, and further strengthening performance management and pay-for-performance initiatives, as well as supporting activities directed at improving the motivation and incentives for health workers. Continuing support is currently being discussed, with a focus on maintaining the success of the HTP and addressing noncommunicable diseases more effectively.

### Results achieved:

- In 2003, 24 percent of the population in the poorest income decile had health insurance. In 2012, all of the population was covered under the Universal Health Insurance (UHI) system.
- Social security systems have been unified and all hospitals transferred to the MoH, so people can choose where to be treated.
- The population enrolled with family medicine increased from zero in 15 pilot provinces in 2003 to the entire population in 2010.
- The utilization of primary care services increased to 2.9 outpatient visits per capita in 2013 compared to 2.1 in 2008.
- Patient satisfaction with health care services increased from 66.8 percent in 2004 to 85.3 percent in 2013.



**Implementing Agencies:** Ministry of Health and the Social Security Institute.



**TURKEY: ECSEE APL6 PROJECT**  
Updated in March 2015

**Key Dates:**

**Approved:** August 30, 2010  
**Effective:** December 15, 2010  
**Closing:** December 31, 2015

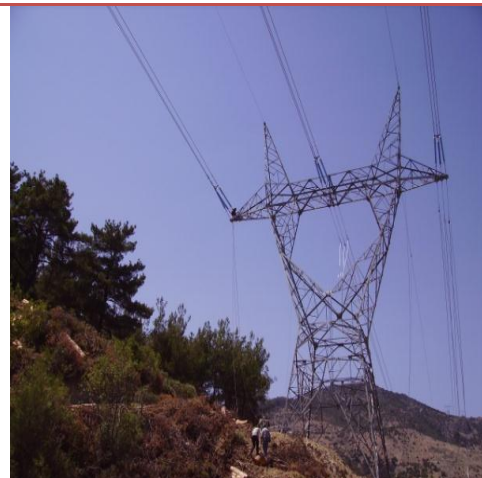
**Figures in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>
IBRD	220
TEIAS	20
Other Donors	
Total Project Cost	240

**World Bank Disbursements, million US Dollars\*:**

<i>Financier</i>	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD	220	164	56*

\*As of March 2, 2015. Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



**Background and Objectives:**

Turkey is part of the Energy Community of South East Europe (ECSEE), established in 2005 with the objective of creating a stable regulatory and market framework in order to: (i) attract private investment in power generation and networks to ensure a stable and continuous energy supply, which is essential for economic development and social stability; (ii) create an integrated energy market allowing for cross-border energy trade and integration with the EU market; (iii) enhance the security of supply; (iv) improve the environmental situation in relation to energy supply in the region; and (v) enhance competition at the regional level and exploit economies of scale.

The Bank has been supporting these objectives in a number of ways, including through the March 2004 strategy paper on the energy trade in South East Europe and the ECSEE Adaptable Program Loan (APL) series, approved in January 27, 2005. The objective of the ECSEE APL program is the development of a functioning regional electricity market in South East Europe and its integration into the internal electricity market of the European Union (EU), through the implementation of priority investments. These include: (i) supporting electricity markets and power system operations in electricity generation, transmission, and distribution; and (ii) providing technical assistance for institutional/systems development and project preparation and implementation.

**The Project Development Objective (PDO)** of Turkey ECSEE APL6 is to help improve the capacity and reliability of the power transmission system in Turkey and its ability to integrate renewable energy capacity into the system. APL6 continues to support the priority investments that APLs 2 and 3 financed earlier in the area of system strengthening and expansion. The project finances priority investments that create a stable and safe electricity market in Turkey and the conditions for regional trade. In addition, the project continues the advisory and investment support for internal market implementation and its integration into the European market.

**Results achieved:**

A large number of the priority investments under the project have now been successfully completed and are currently in operation. The completed projects include the day-ahead market and balancing systems, the automatic meter reading system, five major gas-insulated substations (GIS), two substations, two underground cables interconnecting critical substations in the system, the development of 3 regional control centers, and the installation of 75 remote telemetry units. Among the ongoing projects, there are submarine cables that will connect Asia and Europe for the first time via 380 kV transmission lines, SCADA/EMS upgrade, and critical GIS and underground cables in Istanbul. All of these subprojects represent major efforts to expand the transmission network to serve increasing energy needs in the country and help improve the reliability of the power supply, to enable the provision of supply to newer urban developments, and to improve the transmission system as a major endeavor to integrate sustainable renewable energy into the grid.

**Implementing Agencies:**

Turkish Electricity Transmission (TEIAS). Other close partners include the Ministry of Energy and Natural Resources.



## TURKEY: PRIVATE SECTOR RENEWABLE ENERGY AND ENERGY EFFICIENCY PROJECT

Updated in March 2015

### Key Dates:

**Approved:** May 28, 2009 (Additional loan approved: Nov 22, 2011)

**Effective:** August 12, 2009 (Additional loan effective: Jan 19, 2012)

**Closing:** December 31, 2016

### Figures in million US Dollars\*:

Financier	Financing
IBRD	1,000
Other Donors (Clean Technology Fund)	100
Borrowers (TKB & TSKB)	700
<b>Total Project Cost</b>	<b>1,800</b>

### World Bank Disbursements, million US Dollars\*:

Financier	Total	Disbursed	Undisbursed
IBRD	1,100	873	228

\*As of March 14, 2015. Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



### Background and Objectives:

Turkey is short of domestic energy resources except for lignite and relies for much of its electricity generation on imported natural gas. In order to reduce Turkey's dependence on imported fuels and also reduce greenhouse gas emissions, the Government is encouraging the private sector to utilize the country's large renewable energy resources. These consist primarily of hydropower and wind, but there are also smaller resources of geothermal heat, biomass, and solar. In order to assist the Government, the World Bank in 2004 financed a Renewable Energy loan, which was implemented by the privately owned Industrial Development Bank of Turkey (TSKB) and the government-owned Development Bank of Turkey (TKB). The ongoing project builds on the previous one, covering a wider range of activities. It finances energy-efficiency subprojects and includes some concessionary financing by the Clean Technology Fund (CTF), supporting renewable technologies and energy efficiency. The project was restructured in September 2011 to broaden the environmental safeguards coverage to also include an assessment of the cumulative environmental impact of multiple hydroelectric projects on a river. Additionally, the fund allocation of the project was adjusted to encourage more focus on advanced renewable energy technologies and energy-efficiency investments. Following the restructuring, Additional Financing of US\$500 million was approved on November 22, 2011.

**The Project Development Objective (PDO)** is to help increase privately owned and operated energy production from indigenous renewable sources, enhance energy efficiency, and thereby help reduce greenhouse gas emissions.

### Expected Results:

The project expects to improve Turkey's supply security by providing domestic energy resources, help reduce greenhouse gas emissions by building renewable and energy-efficient facilities instead of new fossil fuel-fired plants, and generate a relatively higher number of jobs in remote and poorer areas, since the areas where hydropower sites are found (most of the new generation plants are hydropower) tend to be in more remote, mountainous, and poor areas. With the development of capacity in the financial institutions (FIs), the energy-efficiency projects are now becoming the focus of the project. Overall, the project has financed 36 renewable energy projects and 27 energy-efficiency projects, the latter of which have focused on paper, petrochemicals, plastic, and iron and steel. Projects financed so far are estimated to contribute to a greenhouse gas emission reduction of 4.2 million ton per year.

As of end February 2015, TSKB had committed 83 percent of its total IBRD loans, and TKB had committed 56 percent of its total IBRD loans. Both institutions have disbursed 100 percent of their original IBRD loans and CTF funds.

**Implementing Agencies:** TKB and TSKB. Other key agencies include the Ministry of Energy and Natural Resources, the Ministry of Development, and the Undersecretariat of Treasury.

**Key Development Partners** include the United Nations Development Programme (UNDP), the French Development Agency (AFD), and the German Development Bank (KfW), which are providing technical assistance related to energy efficiency.

**TURKEY: SMALL AND MEDIUM ENTERPRISES ENERGY EFFICIENCY PROJECT**  
Updated in March 2015

**Key Dates:**

**Approved:** March 27, 2013

**Effective:** July 22, 2013

**Closing:** September 28, 2018

**Figures in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>
IBRD	201.00
Other Donors	
<b>(Global Environment Facility)</b>	<b>3.64</b>
Borrowers	
(Ziraat Bank, VakifBank & Halkbank)	100.58
<b>Total Project Cost</b>	<b>305.22</b>

**World Bank Disbursements, million US Dollars\*:**

<i>Financier</i>	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD	201	30	171

*\*As of February 27, 2015. Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**Background and Objectives:**

In Turkey, energy efficiency has emerged as a policy priority due to the relative high energy intensity of the economy and Turkey's need to remain competitive. Although total primary energy supply per capita in Turkey is still low—1.44 tons of oil equivalent (toe) per capita in 2010 compared to the OECD average of 4.39 toe per capita—the Turkish economy is comparatively energy intensive. In 2010, the economy required 0.19 toe for every US\$1,000 of GDP compared to the OECD average of 0.14. According to World Bank estimates, the industrial and building sectors offer an aggregated energy savings potential of over 15 million toe of energy consumption per year, or 14 percent of total consumption, with corresponding greenhouse gas emission reduction potential. SMEs play an important role in the development and competitiveness of the Turkish economy, since SMEs are estimated to account for 99 percent of all enterprises, 78 percent of employment, 55 percent of value added, 65 percent of sales, 50 percent of investments, and 59 percent of exports, yet receive only 27 percent of total loans. SMEs do not have access to adequate medium- to long-term financing, which is required for energy-efficiency investments.

**The Project Development Objective (PDO)** is to improve the efficiency of energy use in SMEs by scaling up commercial bank lending for energy-efficiency investments. The project provides IBRD funds through three financial institutions and also seeks to expand their capacity in assessing energy-efficiency investments and explore alternative financing models tailored to the Turkish SME market. In addition, The project will seek to enhance the capacity of the Ministry of Energy and Natural Resources (MENR) to meet its mandate and increase the utilization and effectiveness of its energy-efficiency support programs.

**Results achieved:**

The project provides three lines of credit for a total amount of US\$201 million to three financial institutions (FIs): Halkbank (US\$ 67 million), VakifBank (US\$67 million), and Ziraat Bank (US\$67 million) to support energy-efficiency financing to SMEs; a US\$3.64 million Global Environment Facility (GEF) grant for technical assistance and risk sharing to the three FIs (Halkbank: US\$0.9 million, VakifBank: US\$0.9 million, Ziraat Bank: US\$ 0.9 million); and policy and technical assistance support to MENR (US\$0.94 million). The three FISs were chosen given their strong SME client base and market presence in the SME sectors. The project will also support the General Directorate of Renewable Energy (GDRE), which is mandated with policy implementation and research on energy efficiency and renewable energy within MENR. The two FIs and MENR have mobilized consultants to support them in the implementation of the project; one FI is at the finalization stage. The FIs are currently focused on pipeline development and marketing.

**Implementing Agencies:** Ziraat Bank, VakifBank, Halkbank, and Ministry of Energy and Natural Resources. Other key agencies include the Ministry of Development, and the Undersecretariat of the Treasury. **Key Development Partners** include UNDP, AFD, and KfW, which are providing technical assistance related to energy efficiency.

## TURKEY RENEWABLE ENERGY INTEGRATION PROJECT (REIP)

Updated in March 2015

### Key Dates:

**Approved:** May 9, 2014

**Effective:** August 11, 2014

**Closing:** June 30, 2019

### Figures in million US Dollars\*:

Financier	Financing
IBRD	300
CTF	50
TEIAS	125
Other Donors	
Total Project Cost	475



### World Bank Disbursements, million US Dollars\*:

Financier	Total	Disbursed	Undisbursed
IBRD	300	5	294*
CTF	50	0	50

\*As of March 2015. Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

### Background and Objectives:

The Turkish Government's main energy policy concern continues to be securing sufficient and reliable energy for a growing economy in an environmentally sustainable manner. Future demand growth could lead to supply shortages if generation investments fall behind load growth. To offset its heavy reliance on imported energy, Turkey is increasing domestic energy production, including through indigenous renewable energy generation from wind and hydro resources. The Government of Turkey has set an ambitious target of developing 20,000 MW of wind energy capacity by 2023. However, at the present rate, only about 400–500 MW of wind energy is likely to be added each year, as against the roughly 1,600–1700 MW needed to achieve this goal. To enhance the rate of addition of wind energy, the key barriers that inhibit faster development of wind energy in Turkey need to be addressed. These barriers include: (i) the need for upfront transmission investments, (ii) the limitations of existing load dispatch and control systems, (iii) the limited transmission links relative to the geographical location of wind energy resources, and (iv) the inadequacy of the existing transmission network to meet the growing demand for electricity.

The **Renewable Energy Integration Project (REIP)** assists the Government in meeting its increased power demand by strengthening the transmission system and facilitating large-scale renewable energy generation. Further, the global environmental objective of the project is to avoid greenhouse gas (GHG) emissions from fossil fuel-based power through greater integration of renewable energy generation in Turkey. The project has four components: (i) Development of transmission infrastructure to facilitate faster development of wind power plants, (ii) Smart-grid investments to strengthen grid operation and management in the face of higher wind energy generation, (iii) Lapseki-2 – Sutluce-2 Submarine Power Cable to better interconnect wind energy locations with other parts of Turkey, and (iv) Strengthened transmission networks to cater to the growing demand and supply of electricity in Turkey. The project also envisages technical assistance for strengthening the environmental aspects of wind energy development (to be funded under a parallel EU-IPA program).

### Expected Results:

- Development of transmission infrastructure at Can, Izmir, and Vize will facilitate the installation of 600 MW of wind power plants in these areas.
- Turkish Electricity Transmission's (TEIAS) deployment of smart-grid systems will strengthen grid operation and management by upgrading the hardware and software at national and regional control centers. The Renewable Energy Resource (RER) operator desk at the National Control Center is functional.
- Transmission networks in Turkey will be strengthened to meet the growing demand and supply of electricity. Peak load handled by the transmission system will increase from 38 GW in 2014 to 48 GW in 2019. Lapseki-2 – Sutluce-2 380kV Submarine Power Cable will provide better interconnection between the European and Asian parts of Turkey, including for the wind energy locations.

**Implementing Agencies:** Turkish Electricity Transmission (TEIAS). Other close partners include the Ministry of Energy and Natural Resources.

## TURKEY: ISTANBUL SEISMIC RISK MITIGATION AND EMERGENCY PREPAREDNESS PROJECT Updated in March 2015

### Key Dates:

**Approved:** May 26, 2005

**Effective:** February 03, 2006

**Closing:** December 31, 2015

### Figures in million US Dollars\*

Financier	Financing
IBRD	550.0
Government of Turkey	
Other Donors	
<b>Total Project Cost</b>	<b>550.0</b>

World Bank Disbursements, million US Dollars\*:

Financier	Total	Disbursed	Undisbursed
IBRD	446.1	334.4	25.8

\*The original loan closed on December 31, 2012.

\*\*As of March 18, 2015 FX rate, the Total loan amount is USD 446.1 million.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement. The European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) and Islamic Development Bank (IDB) provide parallel financing under the framework of the ISMEP project.



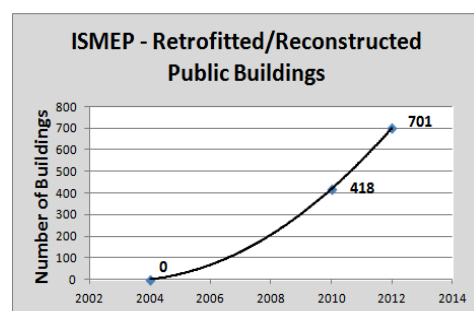
### Background and Objectives:

Turkey remains highly vulnerable to earthquakes. The Marmara earthquake of 1999 claimed over 17,000 lives and left about US\$5 billion in economic consequences, or roughly 2.5 percent of GNP. Istanbul is particularly vulnerable because of its seismic-prone location on the North Anatolian Fault, high population of approximately 15 million, and commercial/industrial densities, including being an important intercontinental nexus. If a future seismic event were to occur in or near Istanbul, the human suffering along with the social, economic, and environmental impacts could be dramatic; thus, an interruption of Istanbul's social, economic, cultural, and financial life would be felt for many years to come.

**The Project Development Objective (PDO)** is to improve the city of Istanbul's preparedness for a potential earthquake through enhancing the institutional and technical capacity for disaster management and emergency response, strengthening critical public facilities for earthquake resistance, and supporting measures for better enforcement of building codes.

### Key Results Achieved:

- 1,053 public buildings were retrofitted or reconstructed, including schools that serve over 900,000 students and teachers, and hospitals/clinics that serve about 1 million patients annually.
- The back-up Disaster Management Center is operational and the Istanbul Governorship's new main Disaster Management Center at Hasdal has been completed.
- Turkey's first digital inventory of cultural heritage buildings in Istanbul facing disaster risk was developed under the project for the Ministry of Culture and Tourism, as well as designs for strengthening and preserving three historic buildings in Istanbul.
- 630,000 people were trained in disaster preparedness and an estimated 5.5 million citizens reached via social and public media through the Public Awareness and Neighborhood Community Volunteer programs.
- 3,630 engineers nationwide were trained in the seismic retrofitting code, and the e-services concept was introduced to citizens through the pilot municipalities of Pendik and Bagcilar.



**Implementing Agency:** Governorship of Istanbul Coordinating Unit.



## TURKEY: GAS SECTOR DEVELOPMENT PROJECT

Updated in March 2015

### Key Dates:

**Approved:** November 29, 2005

**Effective:** March 7, 2006

**Closing:** December 31, 2020

### Figures in million US Dollars\*:

Financier	Financing
IBRD	325 + 400 <sup>1</sup>
BOTAS	402
Total Project Cost	1,127

### World Bank Disbursements<sup>2</sup>, million US Dollars\*:

Financier	Total	Disbursed	Undisbursed
IBRD	725	325	400

As of March 12, 2015. Notes: 1) Additional financing of USD 400 million has been approved by the Board on July 2, 2014, and has been effective since November 20, 2014; and 2) Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



### Background and Objectives:

With limited domestic natural gas reserves, Turkey imports 98 percent of its gas. Natural gas consumption has grown rapidly in Turkey, mainly as a means of reducing growth in the usage of the environmentally unsustainable domestic lignite. With increasing urbanization (increased electricity and heating use) and the extension of the transmission and distribution networks, the demand for natural gas is expected to continue to grow. Turkey obtains its gas supplies through imports, primarily from Russia through two pipelines: one through Bulgaria and the second under the Black Sea. Turkey consumed 48 billion cubic meters (bcm) of natural gas and liquid natural gas in 2014. Turkey's geographical location makes it a potential major gas transit country, connecting the Caspian and Middle East to Europe. In addition to the growing in-country demand for gas, this role for Turkey as a transit country is likely to drive the development of the natural gas market in the future.

**The Project Development Objective (PDO)** is to increase the reliability and stability of the gas supply in Turkey by putting into place a critically needed gas storage and network infrastructure and supporting the Petroleum Pipeline Corporation (BOTAS) in strengthening its operations as a financially stable and commercially managed corporation. Current gas storage capacity in Turkey is low (2.6 bcm, about 5 percent of Turkey's annual gas consumption) and slow (primarily seasonal storage with only a low daily withdrawal rate). The project will substantially increase storage capacity (to 3.6 bcm, still low at about 7.5 percent<sup>9</sup>) and introduce to Turkey its first fast storage facility (with high daily withdrawal capacity). The storage project is of critical importance, as it would help Turkey ensure gas supply at peak winter times, avoid the penalties that may stem from take or pay contracts, and develop new transit capacities.

The project has the following components: (i) a gas storage facility in an underground salt dome formation close to Tuz Gölü, a salt lake in South Central Turkey; the facility, upon completion, would have a storage capacity of about 960 million cubic meters (mcm), with the capacity to deliver 40 mcm of gas per day for up to 20 days, which can be refilled at the rate of 30 mcm per day over a period of 25 days; (ii) network expansion—the project finances the Erzincan compressor station for BOTAS, which is required to help transmit the increasing volumes of gas expected to be imported from existing and new sources; and (iii) technical advisory support for the owner's engineer, as well as environmental and social monitoring.

### Expected Results:

- Improve Turkey's energy security and its ability to cover natural gas demand peaks during the coldest days, lower the cost of gas imports by providing seasonal storage, lower network investment costs, and improve operational flexibility.
- Increase storage capacity from 2.6 to 3.6 bcm and introduce the first fast storage in Turkey (storage with high daily withdrawal capacity).

**Implementing Agencies:** Petroleum Pipeline Corporation (BOTAS).

<sup>9</sup> Other large European gas-importing countries have storage capacities accounting for 20–30 percent of their annual consumption.

## TURKEY: LAND REGISTRATION AND CADASTRE DEVELOPMENT PROJECT

Updated in March 2015

### Key Dates:

**Approved:** May 11, 2008

**Effective:** August 13, 2008

**Closing:** August 31, 2015

### Figures in million US Dollars (original figures):

Financier	Financing
IBRD	203
Borrower	7.10
Total Project Cost	210.10

### World Bank Disbursements, million US Dollars\*:

Financier	Total	Disbursed	Undisbursed
IBRD	143.4	130.6	2.2

\*As of March 18, 2015 FX rate, the Total loan amount is USD 143.4 million.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



### Background and Objectives:

With Turkey's Ninth Development Plan, the Government has laid the ground for a country with stable growth, increased competitiveness, and an advanced transformation to an information society, while completing harmonization with the EU. The Government aims to put into practice e-government systems to improve services, protect the environment, and increase emergency preparedness and disaster risk mitigation with emphasis on the provision of high-quality public services and continued investment in climate reforms. An effective and efficient cadastre and registration system forms a cornerstone of the Government's strategy in these areas by providing accurate and dependable base maps, spatial data, and property information for planners and investors. Despite the effectiveness of the Turkish cadastre and registration system and the fact that the registration of property transactions is most efficient in large offices, the system needs to be continuously upgraded and modernized to provide services at the level of other European countries. Scaling up existing manual systems to computerized and digitized ones would improve accuracy, consistency, and efficiency and support linkage to a national network, thereby supporting e-government applications. Similarly, property valuation methodologies for taxation require an upgrade to equivalent systems in the EU, and institutional arrangements should support the framework for property valuation guidelines and grievances procedures. Broader property valuation functions should be developed in line with international standards.

**The Project Development Objective (PDO)** is to improve the effectiveness and efficiency of land registry and cadastre services in support of the Government's progress in the e-government agenda. The project supports: (i) renovation and updating of cadastre maps to enable an efficient digital cadastre and land registry information; (ii) increased access to the land registry and cadastre information by public and private entities; (iii) improvements in customer services in land registry and cadastre offices; (iv) improvement in the human resource capacities in the Cadastre and Registration Agency (TKGM); and (v) development of policies and capacity building to introduce best international practices in property valuation.

### Key Results Achieved:

- From past poor ratings, customer satisfaction rates have reached 89 percent; disputes in courts have been reduced to 0.3 percent (end-of-project target is 2 percent); time to deliver cadastral data has been reduced to two hours (end-of-project target is two hours); 550 external users now have online/offline access to registry and cadastre data (against the end-of-project target of 50 external users); and 120 million information requests have been received over the Internet against an end-of-project target of 9 million.
- The core project activity that focused on cadastral renovation is progressing successfully and will likely reach the end-of-project target of 3.1 million land parcels. A second key activity—base mapping, including orthophotos—has exceeded the end-of-project target of 238,560 square kilometers (km<sup>2</sup>). The original target was 40,000 km<sup>2</sup>.
- Implementation of the Bursa model office improved customer satisfaction significantly. Disbursements had reached 91 percent of the revised loan amount as of March 2015.

**Implementing Agency:** Turkish Land Registration and Cadastre Agency (TKGM). Food and Agriculture Organization (FAO) is a key development partner in this project.

**TURKEY: MUNICIPAL SERVICES PROJECT**  
Updated in March 2015

**Key Dates:**

**Approved:** June 23, 2005

**Effective:** May 18, 2006

**Closing:** November 30, 2016

**Figures in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>
IBRD	515
Government of Turkey	70
Other Donors	
<b>Total Project Cost</b>	<b>585</b>

**World Bank Disbursements, million US Dollars\*\*:**

<i>Financier</i>	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD	415.5	295	113.5

\*The original loan closed on December 31, 2012.

\*\*As of March 18, 2015 FX rate, the Total loan amount is USD 415.5 million.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



**Background and Objectives:**

Over recent decades, Turkey has witnessed dramatic urban growth, rising from 25 percent of the country's population in 1950 to over 75 percent today. Rapid urbanization has also fueled economic growth in cities, which today account for as much as 90 percent of the country's gross value added. The importance of cities to the nation's economy, coupled with the rapid rate of urbanization, underscores the critical importance of and growing demand for efficient municipal services that include water, sanitation, and solid waste management. High levels of investment at the local level are required to keep pace with demand and ensure the delivery of quality services at international standards.

**The Project Development Objective (PDO)** of the Municipal Services Project (MSP) is to support sustainable municipal services in selected municipalities. To expand outreach to a wide range of municipalities and support the institution building of Turkey's primary source of municipal financing—Ilker Bank (Bank of Provinces)—the MSP lends to Ilker Bank as a financial intermediary, which on-lends to eligible municipalities. The MSP supports the: (i) development of municipal infrastructure to improve water, wastewater, and solid waste management services; (ii) strengthening of the financial position and operational efficiency of municipal utilities; and (iii) institutional strengthening of Ilker Bank.

**Key Results Achieved:**

- The percentage of non-revenue water (NRW) was significantly reduced in targeted cities. In Asat (Antalya), losses were reduced from 52 to 43 percent by the end of 2013; in Kutahya from 69 to 35.5 percent in 2013; and in Elbistan from 65 to 32 percent by the end of 2012.
- More than 870,000 households in eight cities around the country have been connected to municipal water supply systems for the first time. Sewerage services have also expanded dramatically in some cities. For example, in Ilica, the percentage of the city population connected to the sewer network increased from 40 percent in 2006 to 90 percent by the end of 2012, and in Antalya from 43 percent to 78 percent by the end of 2013, through investments carried out under the project.
- The solid waste landfills in Gelibolu and Bergama were established with a total capacity of 54,000 tons and provide environmentally sound waste disposal for up to 130,000 citizens.
- The capacity of Ilker Bank and municipal staff has been enhanced through training and customized capacity-building activities in the areas of project management, procurement, and financial management. The number of man-days of training provided to the project management staff of Ilker Bank increased from 231 to 1,560 by the end of 2012. The increase in training provided for Municipal Project Management Unit staff is also significant, having risen from 86 to 630 man-days by the end of 2012.

**Implementing Agency:** Ilker Bank as the borrower and 15 municipalities or utility companies as subborrowers.

## TURKEY: ONGOING PROJECTS - MIGA

### TURKEY: BANDIRMA PORT- 1

Updated in March 2015

#### Key Information

**Project ID:** 7994

**Fiscal year:** 2010

**Status:** Active

**Guarantee holder:** UniCredit AG

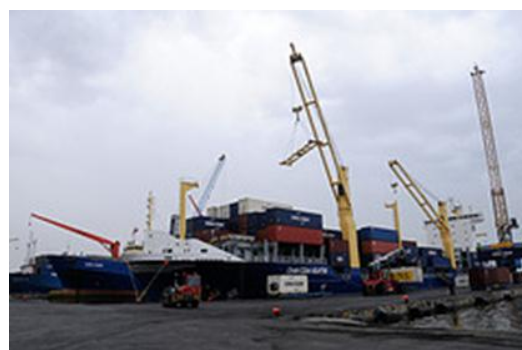
**Investor country:** Germany

**Host country:** Turkey

**Sector:** Transportation

**Gross exposure:** US\$55 million

**Project type:** Non-SIP



#### Background and Objectives:

The Multilateral Investment Guarantee Agency (MIGA) has issued a guarantee of US\$55 million to cover UniCredit AG's loan financing the privatization of Bandirma Port in Turkey under a transfer-of-operating-rights scheme for a period of 36 years. MIGA's guarantee covers against the risks of currency inconvertibility and transfer restriction as well as expropriation of funds for a period of 14 years.

Following a competitive tender, Celebi Joint Venture Group was named preferred bidder in May 2008, offering an upfront operating rights fee of US\$175.5 million.

The project represents an ongoing process of privatization started by the Government of Turkey in the early 1980s. It aims to introduce openness and competitiveness into the country, increase efficiency in former state-owned enterprises, and promote economic growth.

#### Expected Results:

- Improve port's productivity and efficiency through a new and experienced management team and best market practices.
- Strengthen the competitiveness of local exporters in the hinterland through reduced transportation costs.
- Support better port operations, which will further stimulate the growth of the region's automotive manufacturing industry as a hub for Central and Eastern Europe.
- Improve connectivity to international markets to benefit the local economy, a key infrastructure requirement to attract foreign direct investment.
- Introduce higher standards of operation, including environmental and safety rules in line with national and EU guidelines.



## TURKEY: BANDIRMA PORT-2

Updated in March 2015

### Key Information

**Project ID:** 7994

**Fiscal year:** 2011

**Status:** Active

**Guarantee holder:** Troy AB

**Investor country:** Sweden

**Host country:** Turkey

**Sector:** Transportation

**Gross exposure:** US\$0.5 million

**Project type:** Non-SIP



### Background and Objectives:

On October 6, 2010, MIGA issued a guarantee of US\$522,000 to cover Troy AB's equity investment in the privatization of Bandirma Port in Turkey under a transfer-of-operating-rights scheme for a period of 36 years. MIGA's guarantee covers against the risks of currency inconvertibility and transfer restriction as well as expropriation of funds for a period of 14 years.

Following a competitive tender, Celebi Joint Venture Group was named preferred bidder in May 2008, offering an upfront operating rights fee of US\$175.5 million.

The project represents an ongoing process of privatization started by the Government of Turkey in the early 1980s. It aims to introduce openness and competitiveness into the country, increase efficiency in former state-owned enterprises, and promote economic growth.

The project is aligned with the World Bank Group's Country Partnership Strategy for Turkey. Improving transportation infrastructure is a key component of the Bank Group's focus on helping Turkey improve its competitiveness and employment opportunities.

### Expected Results:

- Improve the port's productivity and efficiency through a new and experienced management team and best market practices.
- Strengthen the competitiveness of local exporters in the hinterland through reduced transportation costs.
- Support better port operations, which will further stimulate the growth of the region's automotive manufacturing industry as a hub for Central and Eastern Europe.
- Improve connectivity to international markets to benefit the local economy, a key infrastructure requirement to attract foreign direct investment.
- Introduce higher standards of operation, including environmental and safety rules in line with national and EU guidelines.

## TURKEY: IZMIR MARINE TRANSPORTATION PROJECT

Updated in March 2015

### Key Information

**Project ID:** 11781

**Fiscal year:** 2013

**Status:** Active

**Guarantee holder:** ING Bank, a Branch of ING-DiBa AG

**Investor country:** Germany

**Host country:** Turkey

**Sector:** Transportation

**Gross exposure:** US\$65.5 million

**Project type:** Non-SIP



### Background and Objectives:

On June 27, 2013, MIGA issued guarantees of US\$65.5 million covering non-shareholder loans by ING Bank, a branch of ING-DiBa AG (ING) of Germany, to the Metropolitan Municipality of Izmir (MMI) for the Izmir Marine Transportation Project in Turkey. The coverage is for a period of up to 10 years against the risk of non-honoring of sovereign financial obligations. The ING loan will finance up to six ferries in support of the project.

The current ferries in service in Izmir have reached the end of their operating lives and therefore have high maintenance costs and outdated technology. This project is part of a larger effort to acquire ferries and renovate wharves in Izmir. The World Bank's International Finance Corporation (IFC) acted as the loan arranger for this project. Other lenders include the European Bank of Reconstruction and Development (EBRD) and Agence Française de Développement (AFD).

The project is aligned with the World Bank Group's Country Partnership Strategy for Turkey. Improving transportation infrastructure is a key component of the Bank Group's focus on helping Turkey improve its competitiveness and employment opportunities.

MIGA's support for this investment is also aligned with the Agency's strategy of supporting complex projects.

### Expected Results:

Increase the share of sea transportation in Izmir's integrated public transportation system, easing road traffic congestion and pollution and enhancing public safety and security. The new ferries will be significantly faster, more fuel efficient, environmentally friendlier, and safer.

**TURKEY: IZMIR TRAMWAY**  
Updated in March 2015

**Key Information**

**Project ID:** 2240

**Fiscal year:** 2014

**Status:** Active

**Guarantee holder:** ING Bank, a Branch of ING-DiBa AG

**Investor country:** Germany

**Host country:** Turkey

**Sector:** Transportation

**Gross exposure:** US\$91.1 million

**Project type:** Non-SIP



**Background and Objectives:**

This loan is a non-shareholder loan from ING Bank, a branch of ING-DiBa AG of Germany, to the Izmir Metropolitan Municipality for the Izmir Tramway project in Turkey. The lender has applied for a MIGA guarantee of US\$91.1 million for a period of up to 13 years against the risk of non-honoring of sovereign financial obligations.

MIGA's guarantee supports the construction of two urban tramway lines and related rolling stock in the city of Izmir. The Konak tramway will be a 12.8 kilometer, fully electrified street tram line with 19 stations and 21 tram vehicles operating along a dedicated right-of-way on the southern and eastern side of Izmir bay. The Karsiyaka tramway will be a 9.7-kilometer, fully electrified street tram line with 16 stations and 17 tram vehicles operating along a dedicated right-of-way on the northern side of Izmir bay.

The project will also complement MIGA's recent support to Izmir's marine transport project and IFC's traffic management project, both of which will reduce road congestion and, in the former, increase connectivity between different modes of transport within the city.

The project is aligned with the World Bank Group's Country Partnership Strategy for Turkey. Improving transportation infrastructure is a key component of the Bank Group's focus on helping Turkey improve its competitiveness and employment opportunities. The World Bank Group's IFC will be a lender to the project and is also acting as lead arranger for other loans.

MIGA's support for this investment is also aligned with the Agency's strategy of supporting complex projects.

**Expected Results:**

The proposed project will improve urban transit services, limit traffic congestion along important sections of Izmir's arterial road network, and contribute to greenhouse gas reduction.

**TURKEY: KADIKÖY-KARTAL-KAYNARCA METRO PROJECT**  
Updated in March 2015

**Key Information**

**Project ID:** 9401  
**Fiscal year:** 2011  
**Status:** Active  
**Guarantee holder:** WestLB AG, London Branch  
**Investor country:** Germany  
**Host country:** Turkey  
**Sector:** Transportation  
**Gross exposure:** US\$409.2 million  
**Project type:** Non-SIP



**Background and Objectives:**

On April 21, 2011, MIGA issued a guarantee of US\$409.2 million for an investment by WestLB AG London Branch, for itself and as agent for a consortium of lenders, in the Kadikoy-Kartal-Kaynarca Metro Project in Istanbul, Turkey. MIGA's guarantee covers principal and interest for a period of up to nine and one-half years against the risk of non-honoring of sovereign financial obligations.

The project will be the first underground metro system on the Asian side of Istanbul. It will also eventually connect with the European side of the city. The first phase of the project involves finishing the construction of 22 kilometers of the line from Kadikoy to Kartal, which includes 16 metro stations. The second phase consists of extending the metro line by 4.5 kilometers from Kartal to Kaynarca, the construction of a parking and maintenance area, and the construction of pedestrian subways.

The project is aligned with the World Bank Group's Country Partnership Strategy for Turkey. Improving transportation infrastructure is a key component of the Bank Group's focus on helping Turkey improve its competitiveness and employment opportunities.

**Expected Results:**

- Improved urban mobility, travel times, and traffic through extending coverage of Istanbul's metro system, thereby contributing to increased productivity and private sector-led growth.
- Reduced dependence on roads and motorways, thereby reducing pollution and helping make Istanbul a more attractive location for residents and business.



## TURKEY: OTOGAR-BAĞCILAR-IKİTELLİ-OLİMPİK VİLLAGE METRO PROJECT

Updated in March 2015

### Key Information

**Project ID:** 8050

**Fiscal year:** 2011

**Status:** Proposed (Board Date: March 27, 2014)

**Guarantee holder:** WestLB Istanbul Branch

**Investor country:** Germany

**Host country:** Turkey

**Sector:** Transportation

**Gross exposure:** US\$19.5 million

**Project type:** Non-SIP



### Background and Objectives:

On December 27, 2010, MIGA issued a guarantee of US\$19.5 million to cover an investment by WestLB of Germany in the Otogar-Bağcılar-Ikitelli-Olympic Village Metro Project in Turkey. MIGA's guarantee is for a period of up to three years against the risk of non-honoring of sovereign financial obligations. It covers a guarantee by the Metropolitan Municipality of Istanbul (MMI) on a loan amount of up to US\$21 million that WestLB AG's branch office in Istanbul (WestLB Istanbul) has extended to Istanbul Electricity, Tram and Tunnel, a general directorate of MMI, which is financing the expansion of the project in Istanbul.

The project consists of two parts. The first section of the project, "Otogar-Kirazlı LRT," will extend the existing Light Rail Transit from the Otogar (intercity bus terminal) to densely developed residential areas in Bağcılar and Kirazlı. The second phase of the project, "Kirazlı -Ikitelli-Başak Konut/Olympic Village Metro," will create a new metro line that will connect the Ikitelli Organized Industrial Area and the new residential areas developed at Ikitelli to the rail network of Istanbul.

Section one, Otogar-Kirazlı LRT, which consists of a double-track system of 5,510 meters to serve five stations, is the western extension of the existing LRT track operating between Aksaray and the International Airport. Section two, Kirazlı-Ikitelli-Başak Konut/Olympic Village Metro, which consists of a double track system of 15,834 meters to serve 11 stations, will be the western extension of the metro track planned to operate between Yenikapı and Kirazlı.

The project is also aligned with the World Bank Group's Country Partnership Strategy for Turkey. Improving transportation infrastructure is a key component of the Bank Group's focus on helping Turkey improve its competitiveness and employment opportunities.

### Expected Results:

- Improved urban mobility and reduced travel times and traffic, thereby contributing to urban productivity and private sector-led growth.
- Expanded public transportation in the city, which will reduce the dependence on roads and motorways, help reduce the growth of transport-related greenhouse gases, and, through the reduction in pollution, help make Istanbul a more attractive business location.

**TURKEY: BAYMINA ENERGY PROJECT**  
**Updated in March 2015**

**Key Information**

**Project ID:** 4059  
**Fiscal year:** 2002  
**Status:** Active  
**Guarantee holder:** Tractebel SA, BNP Paribas  
**Investor country:** France, Belgium  
**Host country:** Turkey  
**Sector:** Power  
**Gross exposure:** US\$115.4 million  
**Project type:** Non-SIP



**Background and Objectives:**

MIGA has issued guarantees to Tractebel S.A. of Belgium and BNP Paribas of France for the amounts of US\$35 million and US\$80.5 million, respectively, to cover their US\$39 million loan guaranty and US\$84.7 non-shareholder loan to Baymina Enerji A.Ş, (Baymina). The guarantees are for 15 years and protect against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

The project, which is located approximately 40 kilometers to the southwest of Ankara, consists of the construction and operation of a combined cycle power plant, comprising two gas turbines and one steam turbine and delivering a total net capacity of 763 megawatts (MW). The World Bank has been working with the Government of Turkey on its energy sector reform, and MIGA's participation in this project supports this effort, reflecting the project's anticipated significant positive developmental impact. Based on conservative economic growth scenarios, Turkey will need at least 2,000 MW of additional installed capacity per year to meet increased demand.

**Expected Results:**

The project will help meet the increased demand and allow Turkey to both rely less on imported electricity and focus more on natural gas as a fuel source (as part of its national energy strategy).

**TURKEY: ORFIN FINANSMAN AS PROJECT**  
Updated in March 2015

**Key Information**

**Project ID:** 12360

**Fiscal year:** 2015

**Status:** Active

**Guarantee holder:** RCI Banque S.A

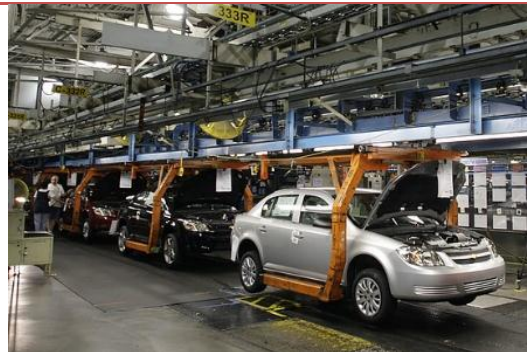
**Investor country:** France

**Host country:** Turkey

**Sector:** Banking

**Gross exposure:** US\$57.7 million

**Project type:** Non-SIP



**Background and Objectives:**

On December 31, 2014, MIGA issued a guarantee of US\$57.7 million covering a shareholder loan from RCI Banque SA of France (RCI) to Orfin Finansman AS in Turkey. The coverage is for a period of up to seven years against the risk of transfer restriction.

The project supports the expansion of operations of Orfin Finansman AS in Turkey. RCI is a wholly owned subsidiary of Renault Group specializing in financing activities for the Renault Group and Nissan Group brands in the countries where they operate. Orfin provides loans to both individuals and corporate customers for the purposes of acquiring Renault and Dacia vehicles, offers insurance to provide coverage to creditors in case of unforeseen events, and offers extended warranties for the sale of new cars. The shareholder loan aims at improving the liquidity position of Orfin and allowing the company to increase the competitiveness of interest rates.

MIGA's support for this project is aligned with the World Bank Group's Country Partnership Strategy for Turkey, which calls for deeper and broader financial markets to promote investment and competitiveness.

**Expected Results:**

The project is expected to provide more affordable financing options for clients and enhance access to credit for individuals and small and medium-sized enterprises (SMEs) across Turkey.

## TURKEY: ADANA INTEGRATED HEALTH CAMPUS PROJECT

Updated on March 2015

### Key Information

**Project ID:** 12118

**Fiscal year:** 2015

**Status:** Active

**Guarantee holder:** Meridiam Eastern Europe SarL

**Investor country:** Luxembourg

**Host country:** Turkey

**Sector:** Services

**Gross exposure:** US\$157.5 million

**Project type:** Non-SIP



### Background and Objectives:

On December 18, 2014, MIGA issued a guarantee of US\$157.5 million covering an investment by Meridiam Eastern Europe SarL of France in ADN PPP Sağlık Yatırım A.Ş. in Turkey. The coverage is for a period of up to 20 years against the risks of transfer restriction, expropriation, and breach of contract.

The project consists of the design, construction, financing, and maintenance of a new integrated health campus in the southern Turkish city of Adana, structured as a public-private partnership (PPP). The project will fill a substantial need in Adana and the surrounding areas for an updated and consolidated public health care facility. The current facilities are inadequate and difficult to repair or renovate. Existing service units, such as operating rooms, intensive care units, and emergency rooms, are substandard in terms of physical structure and equipment. Hospitals in the area also have some of the highest levels of overcrowding in Europe, with only 290 beds per 100,000 people.

MIGA's support for this project is aligned with the World Bank Group's Country Partnership Strategy for Turkey. Under the strategic objective of improved equity and public services, the World Bank Group plans to support the Government's Health Transformation Program as outlined in the Ministry of Health's Strategic Plan. This includes a PPP program aimed at providing affordable health care services beyond major urban areas. The World Bank Group's IFC is also supporting the project by providing financing of €35 million to ADN PPP Sağlık Yatırım A.Ş.

### Expected Results:

The project is expected to contribute to improved health care facilities in Adana, thereby serving as an evidence-based model for other sectors, where PPP models are under consideration as an alternative to improve social infrastructure.



## TURKEY: IFC PROJECTS OVERVIEW

As of February 28, 2015, IFC's committed LTF portfolio in Turkey was US\$2.67 billion for own account and \$0.94 billion in B loans. In FY14, IFC invested US\$735 million in long-term finance allocated to 16 projects, supporting exporters, MSMEs, health, education, and infrastructure projects.

					FY14	
Project	Debt	EQ	QE (Equity)	QE (Loan)	Total	Project Description
Fiba Sub Loan	-	-	-	40.0	40.0	Subordinated loan to support a strategic plan with focus on SMEs
Seker Sub	-	-	-	50.0	50.0	Investment to expand capital base & support focus on SMEs and women-owned businesses
Odea Bank SME	50.0	-	-	-	50.0	A new green-field bank focused on SME financing
Elif Turkey	10.0	-	-	-	10.0	Working capital to Elif Plastik's main operating facility in Istanbul.
OzU II	25.0	-	-	-	25.0	Ozyegin University facilities expansion
Astra Dorms	-	10.3	-	-	10.3	Investment in the largest private dormitory operator
Chipita Turkey	14.6	-	-	-	14.6	A loan to a leading international confectionery producer for expansion to Turkey
Cimko Cement II	40.0	-	-	-	40.0	Efficiency improvements and three additional concrete plants
Viking Services	40.0	-	-	-	50.0	A loan to an oil and gas services company to acquire new equipment and expand further in North Africa and Eastern Europe.
Mersin Port	75.0	-	-	-	75.0	Upgrade and expansion of cargo terminal of Turkey's largest container and cargo port
Logo	9.8	2.7	-	-	12.5	Combination of loan equity investment for a leading Turkish software company to finance expansion through acquisitions and new product development
Recordati Ilac	34.2	-	-	-	34.2	A loan to support a new pharmaceutical plant in the Marmara region
Seker RI 1	-	3.7	-	-	3.7	Rights issue
Tiryaki II	30.0	-	-	-	30.0	A loan to refinance and expand a working capital facility
Transatlantic	40.0	-	-	-	40.0	A loan to provide long term finance and facilitate expansion in Turkey
Izmir Tramway	75.9	-	-	-	75.9	A loan to Municipality of Izmir to finance construction of two new tram lines
<b>FY 14 Total</b>	<b>444.5</b>	<b>16.7</b>	<b>-</b>	<b>90</b>	<b>561.2</b>	
					<b>FY15 YTD</b>	
Seker Bond Swap	16.5	-	-	-	16.5	Hedging instruments to support bond issue
Sekerbank swap	0.5	-	-	-	0.5	Currency swap
YKL Sustainable	64.0	-	-	-	64.0	A loan to finance sustainable energy projects
Adana Health	43.7	-	-	-	43.7	A loan to construct and operate an integrated health campus in Adana (PPP)
Adana Swap	3.5	-	-	-	3.5	Interest rate swap
Elif Turkey	10.0	-	-	-	10.0	Working capital to Elif Plastik's main operating facility in Istanbul.
Soda Sanayii	-	25.0	-	-	25.0	Equity investment in soda and chromium producer
Gama Enerji	-	165.0	-	-	165.0	Equity investment in energy company to expand operations
Izmir Railcars	24.9	-	-	-	24.9	A loan to purchase metro rail cars for Izmir Metro
<b>FY15 YTD Total</b>	<b>163.1</b>	<b>190.0</b>			<b>353.1</b>	

## TURKEY: FLIPPING THE SWITCH: POWER TO GROW

Updated in March 2015

The energy sector remains one of the most important sectors for the Turkish economy. Energy generation, energy security, energy efficiency, and climate change mitigation are just some of the many facets influencing this dynamic sector, as Turkish officials work to meet the country's increasing energy demands.

Rapid economic growth, industrialization, and steady population growth in Turkey over the past decade have combined to rapidly transform this sector. Although this past decade has helped increase electricity generation in the country by 80 percent, including a 90 percent increase in renewable energy generation, an average annual increase in demand of about 7 percent since 1990 means further efforts to ensure additional sources of clean and reliable electricity are required.



As the sector expands, policy makers are working toward the complementary goals of increasing energy production and security while mitigating the potential impacts of climate change. Faced with this challenge of providing more energy that is affordable, reliable, and clean, Turkey is looking to further engage the private sector to help meet this challenge. Officials in Turkey have implemented a series of measures designed to spur investment and innovation in the energy sector, including an ongoing liberalization program that ended electricity subsidies, improved the regulatory environment, and paved the way for the privatization of state-owned electricity distribution and generation assets.

IFC is supporting private sector investments in power generation in Turkey, where only 37 percent of the generation capacity is privately owned. During the past five years, IFC significantly increased its financing of renewable energy projects, including US\$2.3 billion invested and mobilized for five power generation projects. IFC's investments in the power sector have reached nearly 8 million customers.

IFC has also supported several climate change-related projects through its financing in both the financial and real sectors, investing about US\$700 million in 17 energy-efficiency projects, of which more than half was channeled through commercial banks for on-lending to energy-efficiency projects, including Yapı Kredi Leasing, Is Bank, TSKB, Akbank, and Sekerbank. In the real sector, IFC financed projects with a focus on energy efficiency, including in cardboard, textiles, agribusiness, and film packaging.

Recently, IFC provided a syndicated loan of US\$170 million to ACWA Power, an independent Saudi Arabian developer of power projects and a long-term IFC client, for the construction of a new natural gas-fired power plant near the city of Kırıkkale, 50 kilometers east of Turkey's capital, Ankara. With a capacity of 950 megawatts, the US\$1 billion power plant will help meet Turkey's growing demand for reliable, sustainable energy.

Such projects not only help to bolster energy production and mitigate the impacts of climate change, but also to promote further investments by the private sector. Crucially, they represent strong examples of cooperation among the international financial and development institutions and foreign investors who are contributing to Turkey's efforts to fundamentally transform its energy sector and work to provide clean, reliable, and affordable energy for all.

## TURKEY: ADDRESSING THE CHALLENGES OF URBANIZATION

Updated in March 2015

Improving the quality of city life is and will continue to be one of the most important global development challenges. Building sustainable cities that offer clean air and water, relatively green buildings, and accessible transportation takes great planning and effort. Since cities are limited in resources, they must engage the private sector to meet the considerable infrastructure and service provision needs.

Turkey has experienced very rapid urbanization over the past six decades. The urban share of Turkey's population has risen from 25 percent in 1950 to nearly 75 percent today. Over this period, the pressures of urbanization have grown, particularly in secondary cities with massive infrastructure and investment needs.



Over the next 10 years, Turkey will build or refurbish some 13 million housing units, the motorization rate is expected to increase nearly 40 percent, and the country will need about US\$40 billion worth of investment in water treatment alone. This rapid urbanization creates a challenge for sustainable city development yet offers an opportunity for the World Bank Group to help.

The World Bank Group's Country Partnership Strategy for Turkey envisions direct engagement to support municipal development and investments in essential public infrastructure. Given the high costs of rapid urbanization, including traffic congestion and deteriorating environmental and social standards, helping to build sustainable cities is a major priority for cooperation between World Bank institutions in Turkey.

A solid example of this cooperation is found in the work that IFC has been leading in Izmir, the main port on the Aegean coast and one of the most vibrant cities in Turkey, with nearly 4 million inhabitants. During 2012–14, IFC helped the Metropolitan Municipality of Izmir implement important projects to boost the city's development as a sustainable, environmentally friendly, and modern city, including improvement of wastewater management, modernization of the traffic management system, and expansion of public transport and the emergency response system.

IFC's investment in Izmir's Çiğli Wastewater Treatment Plant, which serves 80 percent of the city's population, is helping expand the city's water treatment capacity by 35 percent. Another recent project supported by IFC helps the city finance a traffic management system and purchase new emergency vehicles, promoting economic growth by increasing urban mobility and enhancing public safety and security.

## TURKEY: CAPITAL MARKETS DEVELOPMENT

Updated in March 2015

Supporting the development of strong, deep capital markets is a cornerstone of the World Bank's strategy in emerging markets and a priority for IFC regionally and globally, as well as in Turkey. We help issue local currency bonds and work with policy makers, regulators, and market participants to implement frameworks that encourage capital markets development and greater market diversity, promoting investment and boosting competitiveness. In addition, improving access to medium- to long-term financing, particularly for SMEs and exporters, continues to be a major development objective in Turkey.



Despite significant financial market deepening over the past decade, Turkey's banking assets amounted to just 111 percent of GDP by the end of 2013, a relatively low total for a country of Turkey's income level. Moreover, despite the relatively large number and variety of non-bank financial institutions, the market share of the banking sector, already relatively high, has increased. The limited availability of long-term finance is a critical obstacle to private sector growth.

Supporting the deepening and diversification of Turkey's capital markets is a core element of the World Bank Group strategy. IFC and IBRD have been working together to develop the corporate bond market, with IFC focusing on improving financial inclusion, enhancing long-term finance through capital markets, and introducing diversified and innovative financing solutions.

In the past three years, IFC has invested US\$1.4 billion in Turkey's financial sector. IFC's financing addressed financial inclusion by enabling banks to focus on women-owned companies, support MSMEs, and expand in poorer areas and underserved sectors such as the agribusiness sector.

IFC has used new securitization structures to increase the depth and competitiveness of the Turkish banking sector. After the asset-backed security legislation enacted in 2009, IFC helped its client Şekerbank issue a covered bond, the first such bond issued in Turkey. In 2013, based on best international practices, IFC again helped Şekerbank as well as Denizbank to issue covered bonds, with the proceeds to be used to fund SMEs and agribusiness.

In 2010, IFC introduced an innovative product through Akbank, helping to revive the Diversified Payment Rights (DPR) securitization market, which had been dormant since the start of the financial crisis in 2008. Since then, IFC has used the same financing structure to provide a total of US\$295 million to leading Turkish banks for on-lending to agribusiness, small farmers, MSMEs, and sustainable energy projects.

More recently, IFC participated as an anchor investor in Şişecam and Mersin International Port bond issues. The port of Mersin on Turkey's southern coast is the largest in the country and a key gateway for Turkish trade with the Middle East. It is positioned as the main gateway to central and eastern Turkey's foreign trade, which is an important contributor to Turkey's economic growth. IFC's involvement in the first ever infrastructure bond in Mersin will support the Mersin port's investment plans and help to diversify its financial resources and capital expansion. This landmark investment is expected to set an example in opening up infrastructure in diversified funding resources and encourage other infrastructure companies to diversify their sources of funding.



**TURKEY: IMPROVED HEALTH CARE SERVICES FOR ALL**  
**Updated in March 2015**

Health care spending, which represents about 10 percent of global GDP, is rising faster than any other expense, due to increasing demand for treatment, changing demographics and epidemiological trends, and advances in medical technology. Struggling to meet these challenges, governments worldwide are turning to public-private partnerships (PPPs) to provide health care services and infrastructure for their citizens.

For the past dozen years, Turkey has been reforming its health care financing, delivery, organization, and management. The country's Health Transformation Program has significantly improved access, financial protection, and service coverage, and the World Bank Group has been working to support Turkey's health care transformation.



IFC recently served as an anchor investor in a nationwide PPP program implemented by the Turkish Ministry of Health to provide improved public health care services. IFC and the Multilateral Investment Guarantee Agency (MIGA) are supporting the development of a €433 million integrated health campus in Adana in southern Turkey.

The 1,550-bed Adana campus will include six hospitals with different specializations, such as oncology and women and children's health services. In addition to increased bed capacity, it will improve the coverage and quality of the regional health care network, including improved bed allocation across medical specialties.

“Expanding access to high quality health care services for all population groups is a central element of IFC's strategy,” says Guy Ellena, IFC Director for Global Corporate Coverage. “This project is an excellent example of how the private and public sector can work together to make a difference. We hope that this will set a positive example for PPPs in other sectors in Turkey and also serve as a model across the wider region.”

In addition to the PPP program, IFC is supporting health care companies that are looking for growth potential in the region as well as specialized providers of diagnostic and health care services with the potential to reach poor and middle-income groups. In 2012, IFC made a US\$15 million loan and US\$15 million equity investment in MNT, a leading oncology services provider in Turkey.

## TURKEY: BACKING WOMEN ENTREPRENEURS IN TURKEY

Updated in March 2015

Although women-owned businesses represent 40 percent of small and medium-sized enterprises (SMEs) in Turkey, only 15 percent have access to finance, representing a credit gap of US\$4 billion. They also have 23 percent less access to technology than men-owned firms. All this limits women's entrepreneurial potential and prospects for contributing to economic growth.

IFC believes that empowering more women entrepreneurs to participate in business will unleash significant growth potential and further develop the Turkish private sector. IFC is expanding its efforts to support women through increased investments combined with advisory services in the financial and real sectors.



IFC launched its Banking on Women program in Europe and Central Asia in 2011 to support lending to women through financial intermediaries. To date, IFC has investments in Romania, Turkey, and the Russian Federation. In Turkey, IFC completed three loans—to Abank, Fibabank, and Şekerbank—totaling US\$60 million and reaching hundreds of women-owned SMEs.

As part of its expanded support for women entrepreneurs, IFC is working with Boyner Grup, Turkey's largest non-food retail operator, to strengthen women-led businesses in the firm's supply chain. The pilot program, launched in November 2014, aims to train 40 female owners and managers of smaller businesses that supply Boyner, from in and around İstanbul, İzmir, Samsun, and Eskişehir.

"Through our gender-inclusive practices, we aim to set an example for companies and corporations in Turkey and promote gender equity in the country," said Umit Boyner, former vice president of finance, now a member of the Boyner Grup board. "Investing in men and women equally is not just the right thing to do. It's also a smart business decision—placing women and men throughout our operations allows us to tap into a much wider and more diverse pool of resources."