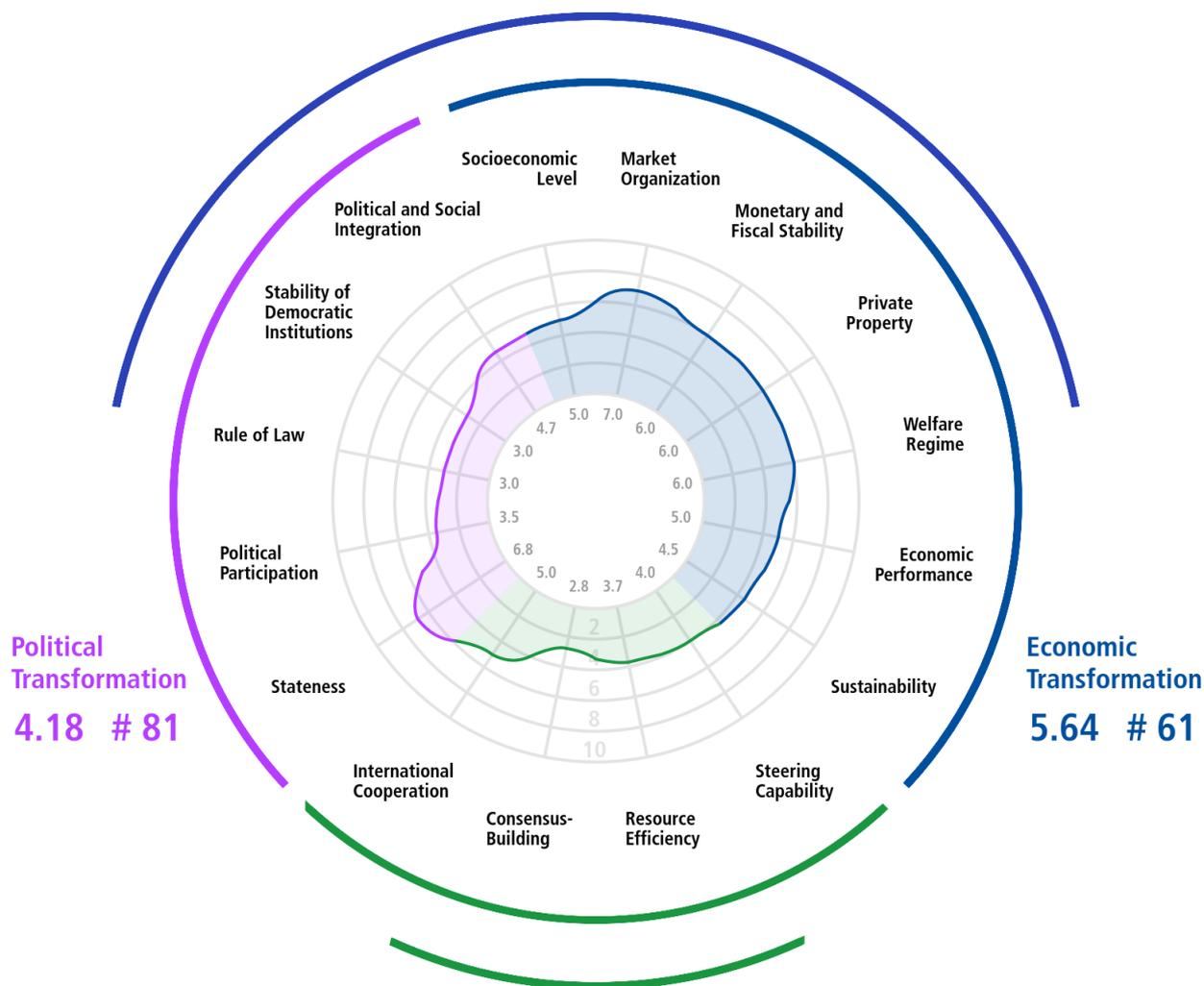


Türkiye

Status Index

4.91 # 72

on 1-10 scale out of 137



Governance Index

3.40 # 110

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	85.5	HDI	0.853	GDP p.c., PPP \$	43932
Pop. growth ¹	% p.a.	0.2	HDI rank of 193	51	Gini Index	44.5
Life expectancy	years	77.2	UN Education Index	0.850	Poverty ³	% 1.4
Urban population	%	77.9	Gender inequality ²	0.227	Aid per capita \$	18.2

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Between February 1, 2023, and January 31, 2025, Türkiye held pivotal elections, witnessed a further consolidation of authoritarian rule, and saw a realignment of regional alliances that together shaped its democratic and economic trajectory. While elections remained formally competitive, the ruling government continued to manipulate state institutions, restrict media freedom and exert legal pressure on opposition figures, creating a distinctly uneven playing field.

The 2023 general elections were the most competitive of Erdoğan's rule, marking his first serious risk of losing power amid economic turmoil and governance failures. Economic mismanagement, soaring inflation and the February 2023 earthquake weakened his standing, giving the opposition its strongest position in years. Six opposition parties formed an unprecedented alliance and backed a joint candidate, Kemal Kılıçdaroğlu. However, strategic missteps – including the decision to nominate a weaker candidate over more popular figures – combined with the government's use of state resources, judicial pressure and election-driven spending, secured Erdoğan's re-election with 52% in the run-off. The AKP-MHP bloc also retained its parliamentary majority, marking a missed opportunity for democratic renewal.

After 2023, opposition infighting reinforced perceptions of Erdoğan's full consolidation of power and the continuing decline of Turkish democracy. Yet the March 2024 local elections brought a striking reversal. Having exhausted state resources the previous year, Erdoğan was unable to deploy similar economic incentives. Meanwhile, opposition mayors in Istanbul and Ankara remained highly popular. The opposition capitalized on economic discontent and governance failures, achieving an unexpectedly large victory. Not only did it retain Istanbul, Ankara and most major cities, but – for the first time since its founding – the AKP fell to second place as the CHP emerged as the leading party, restoring opposition morale ahead of 2028. This electoral setback triggered a harsh government response, including the arrest of numerous elected opposition mayors throughout 2024 and 2025, as the deepening economic crisis further eroded Erdoğan's popularity. Beyond the elections, Türkiye's political environment remained constrained by an

increasingly centralized presidential system. Since 2018, executive power has expanded at the expense of parliamentary oversight, judicial independence and local governance. Press freedom continued to deteriorate, civil society faced state pressure and opposition voices encountered systematic repression. Despite these constraints, opposition-led municipalities continued to serve as counterweights to central authority, though under tight financial and administrative restrictions.

During the review period, Türkiye's economy suffered from persistent inflation and currency depreciation, compounded by heavy election-related spending in 2023. Following the elections, the government adopted stricter fiscal discipline, raising interest rates and tightening monetary policy. Yet these measures deepened the cost-of-living crisis. The government's likely approach is short-term austerity to stabilize the economy, followed by renewed expansionary policies ahead of 2028. However, fiscal discipline alone cannot resolve structural inefficiencies, external debt dependence, corruption and an over-centralized executive role in economic management.

Regionally, Türkiye pursued a more pragmatic foreign policy, prioritizing economic stability over regional dominance. Improved relations with Gulf states created new opportunities for investment and trade. The collapse of the Assad regime in late 2024 positioned Türkiye as a key player in Syria, though Ankara has adopted a cautious approach, balancing influence with other regional powers. This strategy underscores a shift toward economic pragmatism, particularly in the context of Syria's reconstruction.

Finally, a new Kurdish opening process was launched in late 2024. While it is too early to assess its prospects, the initiative appears aimed less at advancing democratization than at weakening ties between Kurdish political actors and the broader opposition. Seeking constitutional changes that could enable another presidential bid in 2028, Erdoğan will likely rely on Kurdish support. The process has the potential to reshape both domestic politics and the wider geopolitical landscape of the Middle East.

History and Characteristics of Transformation

The proclamation of the Republic of Turkey (now officially referred to as the Republic of Türkiye) in 1923 by Mustafa Kemal Atatürk marked a profound transformation of the former Ottoman society. The new regime fused Western and pre-Islamic influences to forge a distinct "Turkish nation," led by Atatürk's Republican People's Party (Cumhuriyet Halk Partisi, CHP). After Atatürk's death in 1938, multiparty democracy was introduced in 1946, but political instability and economic mismanagement led to military coups in 1960, 1971 and 1980.

The 1980 military coup resulted in the dissolution of all political parties and ushered in an era of strict military oversight. However, the following period saw significant economic liberalization under Prime Minister Turgut Özal, leading to rapid growth but also periodic financial crises such as those in 1994 and 2001.

Beginning in 2002, collaboration with the IMF and World Bank prompted a series of substantial reforms that stabilized the economy and bolstered the functionality of Türkiye's civilian government. Designated an EU accession candidate in 1999, Türkiye eventually initiated membership negotiations with the European Union in October 2005. These negotiations prompted a range of political changes, including civilian oversight of the military and the abolition of the death penalty in 2004. The reform process was spearheaded by Recep Tayyip Erdoğan, who established the Justice and Development Party (Adalet ve Kalkınma Partisi, AKP) in 2001 and became prime minister in 2003. His ability to blend Islamic values with economic reforms earned him support from the burgeoning class of entrepreneurs in central Türkiye, often referred to as the "Anatolian tigers." Under AKP leadership, Türkiye was seen as a "model" for many Middle Eastern countries following the Arab Spring in 2011.

However, since 2011, a combination of domestic and international factors has led to a reversal of the reform process in Türkiye. Erdoğan's leadership has taken an increasingly authoritarian turn. In August 2014, a change in electoral law enabled Erdoğan to become Türkiye's first directly elected president – effectively transforming the formerly symbolic presidency into the country's primary seat of power.

A coup attempt in July 2016, allegedly orchestrated by the Gülen movement, accelerated Türkiye's move toward autocracy. Erdoğan called the event "a gift from God," using it to justify the country's most extensive crackdown in modern history. A state of emergency was declared for two years, during which tens of thousands of public sector employees, including police officers, teachers and professors, were purged. A contentious referendum in April 2017, taking place under the state of emergency, confirmed Erdoğan's constitutional changes and the establishment of a presidential republic, ending Türkiye's long-standing tradition of parliamentary democracy. In 2018, Erdoğan was elected as Türkiye's first executive president under the new presidential system. Since then, authoritarian tendencies have been entrenched in the "New Türkiye." The presidential palace has taken charge of virtually every aspect of Turkish politics and policy.

This concentration of power, lacking effective checks and balances, has produced a highly inefficient system. In this governance model, decisions are made by the president or require explicit executive approval. This structure has resulted in delays in decision-making and a lack of coordination among state institutions, especially at the local level. Moreover, it has eroded expertise and experience within the established state apparatus, leaving the entire system more vulnerable to domestic political calculations. This governance model has also subjected every facet of Turkish politics to patronage and clientelism. As meritocracy declines, public administration and institutions have been filled with underqualified pro-AKP personnel. As Türkiye has passed its centennial milestone, these challenges remain deeply entrenched and continue to shape the country's trajectory.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state holds a monopoly on the use of force across the entire territory of the country. While the PKK remains a security concern, major clashes have mostly shifted beyond Türkiye's borders. Cross-border operations in Syria and Iraq, particularly under the "Claw" series of military campaigns, have intensified with the aim of neutralizing PKK strongholds and preventing incursions into Turkish territory.

While large-scale conflicts within Türkiye's borders have significantly decreased, the PKK has retained the capacity to conduct sporadic attacks. Notably, a suicide bombing in Ankara in October 2023 and an armed attack on Turkish Aerospace Industries in 2024 demonstrated the group's ability to launch high-profile incidents. The Turkish government has responded by sustaining its counterinsurgency efforts abroad, arguing these operations fall under its right to self-defense as per Article 51 of the U.N. Charter.

Organized crime exists but does not directly challenge state authority. Instead, crime networks operate with varying degrees of political protection. A 2023 leadership change in the Ministry of Interior prompted intensified crackdowns on specific criminal syndicates – illustrating how law enforcement can reflect political priorities more than neutral legal principles. Public perception of crime has worsened, fueled by concerns over declining police efficiency, judicial leniency and politicized enforcement.

The 2016 purges significantly reduced the operational capacity of security forces and selective law enforcement has contributed to a sense of declining security.

Despite increases in certain types of criminal activity, Türkiye does not face lawlessness or widespread criminal control over territories, setting it apart from states with failing security apparatuses. Instead, enforcement is uneven and often politically shaped, making it a governance issue rather than a fundamental threat to state sovereignty.

Question
Score

Monopoly on the
use of force

8



1

Turkish nationality is officially based on modern constitutional citizenship rather than ethnicity. Article 66 of the Turkish constitution states that “everyone bound to the Turkish state through the bond of citizenship is a Turk.” However, in practice, Turkish identity has long been associated with ethnic and cultural homogeneity. While the outright denial of Kurdish identity has ended, this has not translated into equal corporate rights within state institutions. Instead, pressures on Kurdish political and cultural institutions have intensified, and Kurdish identity has increasingly become a target of hate speech. Greater visibility has paradoxically led to increased discrimination. While not all Kurds reject the official definition of nationality, the Kurdish political movement actively challenges its ethnonationalist framing. Some advocate for a purely civic concept of citizenship, while others demand the formal recognition of Kurdish identity as an equal corporate entity within the state.

Unlike Kurds, Alevis do not oppose the state’s definition of nationality but face systemic discrimination, particularly in state institutions, the civil service and the military. Previously unspoken, this exclusion has become more openly debated, especially following Kemal Kılıçdaroğlu’s presidential candidacy in 2023. Pro-government media has increasingly used the term “political Alevism” to justify discrimination, shifting the discourse from implicit bias to an overt political rationale for exclusion.

The politicization of naturalization processes involving refugees and other migrant groups – particularly the more than 3.5 million Syrians – remains a contentious issue in Türkiye. Bureaucratic hurdles to citizenship persist and concerns over forced deportations continue. Opposition parties accuse the ruling AKP of using naturalization to expand its voter base, further polarizing the debate.

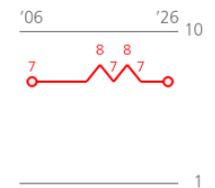
Türkiye has maintained its investment-based citizenship program, raising the minimum property investment from \$250,000 to \$400,000 and allowing citizenship applications for those investing at least \$500,000 in private pension funds. These policies have attracted investors from Russia, Iran and China but face growing opposition, with critics arguing they undermine national integrity.

Türkiye’s legal and political institutions remain formally based on secular law, but religious influence on governance has expanded significantly under the ruling AKP. While the constitution upholds secularism, in practice the government has increasingly integrated religious values into policymaking, public institutions and national identity discourse.

The education system has played a key role in expanding religious influence, with more mandatory religion courses and increased emphasis on Islamic teachings. Imam Hatip schools receive preferential funding, aligning with President Erdoğan’s goal of raising a pious generation.

State identity

7



No interference of religious dogmas

5



The Directorate of Religious Affairs (Diyanet), once limited to mosque regulation, now plays a key role in shaping public discourse, expanding Quranic education and broadcasting religious content. Its growing budget, and visibility in state ceremonies and military events reflect the deeper integration of religious authority into public life. Still, despite this growing state–religion relationship, Türkiye’s legal system remains rooted in secular law rather than religious jurisprudence.

Religious communities – “tarikat” (Islamic order) and “cemaat” (Islamic group) – now receive state funding and institutional support, expanding their influence in education, social services and even bureaucratic appointments. Once informal actors, they are increasingly integrated into governance.

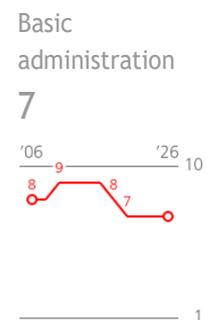
Religious influence is also evident in moral and social policies, where issues such as LGBTQ+ rights, gender equality and family law are framed within conservative rhetoric. High alcohol taxes, restrictions on LGBTQ+ events and suppression of feminist activism are justified under “national moral values.”

While Türkiye’s legal framework remains secular, the growing role of religious institutions in governance and policymaking signals an erosion of strict secularism, with state policies increasingly favoring Sunni Islam over ideological pluralism.

Türkiye has a well-developed administrative structure, with essential state functions such as law enforcement, taxation and basic service provision operating nationwide. However, the efficiency and quality of public administration have declined in recent years due to increasing politicization, lack of meritocracy and excessive executive control. Widespread purges following the 2016 coup attempt weakened institutional capacity, resulting in delays and inefficiencies.

Basic infrastructure, including electricity, water, sanitation and public transportation, is widely available in urban areas and most rural regions. According to the World Bank (2022), 78.7% of the population use improved, non-shared sanitation facilities. Additionally, 99.2% of households have access to basic sanitation, 97% to at least one basic water source and 100% to electricity. However, there are notable disparities in service quality, particularly in southeastern Türkiye, where underinvestment in public services has led to accessibility challenges. The health care system remains functional but is increasingly strained by economic pressures, resource shortages and the emigration of doctors.

The 2023 Kahramanmaraş earthquake exposed critical failures in crisis management, administrative coordination and construction oversight. Despite Türkiye’s seismic risk, poor enforcement of building regulations and inadequate disaster preparedness led to devastating consequences. While the state mobilized resources, delays in rescue efforts and inefficient aid distribution highlighted systemic weaknesses in emergency response. The disaster also underscored widespread violations of safety standards, raising concerns about enforcement, oversight and urban planning.



Türkiye's tax system relies heavily on indirect taxes, reflecting challenges in direct tax collection due to a large informal economy and weak enforcement. Transparency in public spending has deteriorated, with increasing executive control over regulatory bodies – including the central bank – undermining accountability. Public procurement and infrastructure projects often lack transparency, reducing the efficiency of state services.

Overall, while Türkiye maintains the basic administrative structures necessary for governance, their efficiency, independence and accessibility have been increasingly compromised by political interference, economic constraints and institutional weakening. Although major cities benefit from well-functioning infrastructure and digital governance, regional inequalities and governance shortcomings continue to challenge administrative effectiveness.

2 | Political Participation

Türkiye holds regular elections based on universal suffrage, a multiparty system and secret ballot. In the past two years, Türkiye held two major elections: the 2023 general elections, which included both parliamentary and presidential races, and the 2024 local elections.

Concerns over electoral integrity, media restrictions and institutional bias have raised questions about fairness and competitiveness. The government frequently uses systemic tools such as restricting freedom of expression and prosecuting political opponents.

The Supreme Election Council (Yüksek Seçim Kurulu, YSK), responsible for overseeing elections, lacks independence and has been criticized for controversial rulings, including annulling the 2019 Istanbul mayoral election under government pressure.

For the 2024 local elections, the Council of Europe reported significant democratic deficiencies, including a lack of independence in election administration, restrictions on voting rights that disproportionately affect southeastern regions and allegations of fraudulent voter registrations that undermine electoral integrity.

The government creates an uneven playing field by controlling the media, using state resources for its campaigns, suppressing rural voters under security pretexts, and weaponizing the judiciary to intimidate and suppress political opponents. Additionally, the president's active campaign participation blurs the line between state and party.

On the positive side, the registration procedures for voters and candidates are largely transparent and most political parties can participate in elections. Polling procedures and vote counting are widely regarded as transparent, with civil society organizations, opposition parties and engaged citizens actively monitoring the process – making large-scale vote manipulation nearly impossible.

Free and fair elections

5



Despite the government's practice of dismissing opposition mayors, political positions are still largely determined by election results and elections still offer genuine competition, as seen in opposition victories in the 2024 municipal elections. However, the combination of institutional bias, media restrictions and legal manipulation creates an uneven playing field, making elections less free and fair than they appear on the surface. The continued erosion of democratic norms – particularly regarding judicial and institutional independence – raises concerns about the long-term integrity of Türkiye's electoral system.

Traditionally, veto powers – entities that can obstruct democratic procedures without rejecting the system itself – have included the military, judiciary and entrenched bureaucracy in Türkiye. These traditional veto powers have been systematically dismantled in the last 20 years. The military, once powerful enough to overthrow elected governments through multiple coups, has been subordinated to civilian control. The judiciary and bureaucracy, which previously could block or impede government policies, have been restructured and largely brought under executive influence.

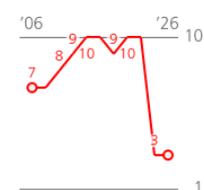
The presidential system concentrates unprecedented authority in the executive branch, particularly in the presidency itself. The executive, while democratically elected, has effectively become a new form of veto power – one with democratic legitimacy but exercising authority that undermines democratic procedures and institutions.

Unlike traditional veto players whose influence was institutionally limited, the executive now operates largely unconstrained. The president can effectively “veto” institutional processes through direct control or indirect pressure, while retaining democratic legitimacy through electoral victories.

At the national level, the president and central government operate virtually unchecked at the national level. However, at the local level, opposition-controlled municipalities face systematic obstruction, with the government aggressively targeting opposition mayors by replacing them with state-appointed trustees and applying financial pressure. The central administration maintains tight control over municipal revenue streams and frequently delays funding approvals to opposition-led local governments. While not formally designated as veto powers, these financial constraints function as effective mechanisms of political pressure and severely limit the ability of opposition municipalities to implement their programs or govern effectively.

Effective power to govern

3



1

Freedom of association and assembly is constitutionally guaranteed in Türkiye, but is increasingly restricted, particularly for government critics. While individuals can legally form and join organizations, groups often face bureaucratic hurdles, state interference and repression.

Opposition parties held rallies during the 2023 and 2024 elections, mostly without incident. However, a CHP rally in 2023 was attacked by pro-government crowds while police failed to intervene, highlighting selective enforcement of security measures. Meanwhile, restrictions on public demonstrations have intensified. Permits for opposition protests are often denied on vague security grounds, while pro-government gatherings face no such barriers. Police routinely use excessive force, arbitrary detentions and legal proceedings against activists, with Kurdish rights, labor rights and LGBTQ+ demonstrations disproportionately targeted. Pride marches have been banned, union leaders and Kurdish activists detained, and even small Islamic groups critical of the government – such as the Furkan movement – have faced police violence.

Civil society organizations (CSOs), especially those focused on human rights and democracy, operate under increasing pressure. Recent legal amendments grant authorities broad powers to monitor and dissolve CSOs on vague terrorism allegations. The shutdown of independent organizations and asset freezes have further restricted civic space, limiting the ability of opposition and independent groups to operate freely.

Freedom of expression in Türkiye remains severely restricted despite constitutional guarantees. While citizens and media formally have the right to express opinions, dissenting voices face legal and political pressure. Government control over the media, restrictive legal measures and widespread self-censorship have further diminished space for independent journalism.

Restrictions have intensified over the past two years. In 2024, at least 25 journalists and five media outlets were attacked, with nine incidents occurring during the election period. Additionally, 82 media representatives, mostly targeted by groups affiliated with the ultranationalist Nationalist Movement Party (Milliyetçi Hareket Partisi, MHP), faced threats while the judiciary remained inactive. The government continues to use broad anti-terror laws and defamation charges to silence journalists, academics and activists. At least 36 journalists were convicted in 2024 for offenses such as insulting a public official, insulting the president and terrorist propaganda. Türkiye ranked 158th out of 180 in the 2024 World Press Freedom Index, a decline from 148th in 2022.

The media landscape is dominated by pro-government outlets, with independent journalism facing regulatory and financial pressure. Most major media are state-controlled or owned by government-aligned business groups, while opposition outlets struggle with restrictions. Self-censorship is widespread due to fear of legal action or job loss.

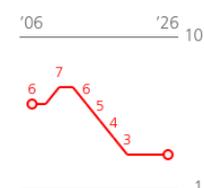
Association / assembly rights

3



Freedom of expression

3



Censorship extends to digital platforms, with frequent social media blocks and legal actions against critical posts. The 2022 disinformation law criminalizes spreading “false” information, with penalties of up to three years in prison. This vague, broadly defined provision has raised concerns that it is being used as a tool to suppress political dissent.

3 | Rule of Law

Since shifting to a presidential system in 2018, Türkiye has operated under a “hyper-presidential” model with limited institutional checks. Executive power is concentrated in a single person, with weakened parliamentary oversight, increased control over the judiciary and a dominant role in legislative processes.

The parliament’s legislative and oversight roles have been extensively marginalized. The president now holds executive authority once shared with the prime minister and cabinet. Ministers, appointed from outside the parliament and dismissible at will, act as political bureaucrats. The president also directly appoints deputies and senior officials, bypassing cabinet and parliamentary input. The parliament no longer confirms governments, holds confidence votes or removes executives for political reasons.

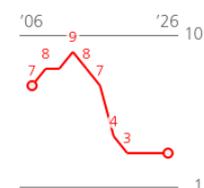
Under the new constitution, the president is granted legislative and decision-making powers on almost every dossier, including daily administrative issues. This hinders the parliament’s legislative role since presidential decrees – which increasingly cover issues beyond their traditional scope – are not subject to parliamentary scrutiny. The president now enjoys stronger veto powers, requiring an absolute majority in the parliament to override vetoed legislation rather than a simple majority of members present. Presidential decrees cannot be challenged in the Council of State (the highest administrative court) by affected citizens. Only the two largest parliamentary groups or one-fifth of deputies can bring cases against these decrees to the Constitutional Court.

Furthermore, an impeachment process against the president requires the support of at least two-thirds of deputies and is thus highly unlikely in a parliament controlled by the AKP-led bloc. Since presidential and parliamentary elections are held simultaneously, the president’s party and its allies typically secure a parliamentary majority. Given Türkiye’s centralized party system – where party leaders exercise substantial control over candidate selection and parliamentary discipline – meaningful parliamentary oversight remains improbable even when formal mechanisms exist.

The systemic lack of judicial independence is one of the most serious concerns in Türkiye. The executive exercises significant control over the judiciary and frequently interferes in judicial decisions, contributing to substantial backsliding in the rule of law and judicial independence.

Separation of powers

3



The judiciary continues to serve as an instrument of the executive, used to suppress opposition and silence dissenting voices. The Judicial Reform Strategy (2019 – 2023) and the 2021 Human Rights Action Plan failed to restore judicial independence or limit the executive’s control over the judiciary. The new Judicial Reform Strategy, announced in 2024, has generated little expectation for real change.

The Council of Judges and Prosecutors (Hâkimler ve Savcılar Yüksek Kurulu, HSK), responsible for judicial appointments and discipline, is dominated by executive influence. It includes the justice minister and the deputy minister (both presidential appointees), four additional members directly appointed by the president and seven chosen by the parliament, where a simple majority suffices – effectively giving the executive (i.e., the president, who also leads the ruling party) control over the entire council.

Similarly, the composition of the Constitutional Court falls largely under presidential influence. Of its 15 members, 12 are appointed directly by the president and three by the parliament, if necessary, by simple majority.

In politically significant cases, judicial decisions are effectively dictated by President Erdoğan – a fact so normalized that both government and opposition circles acknowledge it without protest. This was most visible in high-profile cases such as the Gezi trial and politically motivated terrorism charges against opposition figures. The continued imprisonment of Osman Kavala and Selahattin Demirtaş, despite European Court of Human Rights (ECtHR) rulings demanding their release, underscores the judiciary’s lack of independence and Türkiye’s failure to comply with international legal obligations.

A significant challenge to constitutional authority occurred in 2023, when a lower court refused to implement a Constitutional Court decision regarding member of parliament Can Atalay’s detention. Instead, it referred the case to the Court of Cassation, which asked the parliament to revoke Atalay’s immunity and filed criminal complaints against Constitutional Court judges – an unprecedented move undermining the court’s supremacy.

Lawyers defending human rights or opposition figures also face harassment and legal intimidation. This environment fosters a judiciary that lacks independence and acts as a tool for political repression.

Independent
judiciary

3



Corruption has become a structural feature of Türkiye's political system, with high-ranking officials enjoying near-total impunity. Since the 2013 corruption probe targeting government members and their families was shut down, no senior official has been prosecuted. Instead, prosecutors and law enforcement officers involved in the investigation were themselves dismissed and imprisoned.

Conflicts of interest and ethical misconduct have also become normalized, with key ministers maintaining personal business interests directly related to their portfolios. For example, the minister of tourism owns a tourism company and the minister of health owns a series of private hospitals. Such clear conflicts draw no scrutiny, as no effective legal or ethical oversight exists.

Large-scale corruption is particularly evident in public procurement. Discretionary contracts and non-competitive tenders have become standard practice, reinforcing political favoritism. Systemic corruption in Türkiye operates through interdependent relationships in which pro-AKP businesses depend on the government for procurement opportunities and regulatory favors, while the AKP relies on these businesses for campaign funding, media support and resources to provide services to potential voters. Investigative journalists who attempt to expose corruption face intimidation, legal harassment and censorship. High-profile corruption allegations rarely lead to legal action and, when they do, those found guilty are either dismissed or result in lenient penalties.

The 2023 earthquakes highlighted the deadly consequences of systemic corruption. Decades of lax enforcement of building codes contributed to widespread destruction. Although hundreds of contractors were detained, no senior official has been held accountable for regulatory failures. Public trust in government oversight remains low, especially as public officials and politically connected firms appear shielded from consequences. The catastrophic fire at the Grand Kartal Hotel in Bolu on January 21, 2025 – which claimed 79 lives – exemplifies how Türkiye's endemic corruption directly endangers public safety when building regulations are renegotiated through political connections.

The absence of independent oversight, combined with the judiciary's subservience to the executive, ensures that office abuse is neither meaningfully investigated nor punished. Instead, the legal system is weaponized to target critics of the government, while shielding those within its ranks from accountability.

Prosecution of
office abuse

3



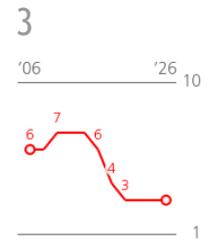
While Türkiye's legal framework includes provisions for civil rights protections, its human rights legislation and implementation need to be brought into alignment with the European Convention on Human Rights (ECHR) and European Court of Human Rights (ECtHR) case law. In 2024, the ECtHR issued 73 rulings on Türkiye, with 67 finding at least one ECHR violation – most frequently the right to liberty and security (19 cases).

The legacy of the 2016 coup attempt continues to shape the human rights landscape. Tens of thousands of dismissed civil servants remain blacklisted, barred from employment and socially stigmatized. The U.N. Committee Against Torture's 2024 report highlighted ongoing abuses. Türkiye's detention system is marred by torture, ill-treatment and the use of excessive force during protests. Accountability remains weak, with few actions taken against accused officers. Chronic overcrowding and persistent violations are aggravated by a culture of impunity. Political prisoners face discrimination and pretrial detention is overused, especially in expression-related cases. In terrorism-related trials, detainees are often held beyond the 48-hour legal limit without full access to lawyers or case files. Investigations into deaths in custody lack transparency and independent oversight.

Counter-terrorism laws undermine basic legal safeguards, while the Domestic Security Package provides concerning leeway to use lethal force beyond imminent threats, with reports of excessive force during protests. Emergency decrees enacted during the state of emergency have been permanently incorporated into ordinary law through Law No. 7145, raising concerns that systemic rights violations may become permanent. Human rights defenders and journalists face systemic threats, harassment, arrest, prosecution and abuse for the legitimate exercise of their rights to expression, assembly and association. Of particular concern is the judicial harassment directed at national media and human rights advocates working on Kurdish rights and political freedoms. Osman Kavala and Selahattin Demirtaş remain imprisoned despite binding ECtHR rulings ordering their release. In a landmark case on September 26, 2023, the ECtHR found Türkiye guilty of violating fundamental rights in the conviction of Yüksel Yalçınkaya, a teacher accused of links to the Gülen movement, setting a precedent for thousands of similar cases. However, Türkiye has not complied with the ruling – neither in Yalçınkaya's case nor in similar proceedings – despite the judgment's broader implications.

Hate speech and hate crimes against Kurds, Gulenists, Alevis, Armenians, Christians, Jews, LGBTIQ+ individuals and other marginalized communities remain serious concerns. More than 3.5 million Syrian refugees are particularly vulnerable to discrimination, weak legal protections and limited access to justice. As political discourse grows increasingly exclusionary, these risks are expected to deepen. Meanwhile, systemic discrimination against women continues, exacerbated by Türkiye's 2021 withdrawal from the Istanbul Convention on preventing gender-based violence.

Civil rights



4 | Stability of Democratic Institutions

Türkiye's new presidential system has completely marginalized the parliament, including its legislative and oversight functions, and regulated the governance mechanisms of regional and local governments. All democratic institutions and public administration, including the parliament, are comprehensively controlled by the executive, with continued crackdowns on opposition parties and dissenting voices in society, especially at the local level. The president has the power to declare a state of emergency and rule by presidential decree on matters outside the scope of the law. He can dissolve the parliament indirectly by calling for fresh parliamentary and presidential elections. He can also veto laws and control the judiciary through the appointment of members of the HSK and judges of the Constitutional Court. The judiciary, which should function as an independent check on power, remains under the control of the executive.

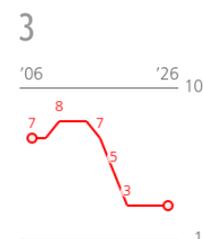
The government is undermining local governance and democratic legitimacy by appointing trustees to replace elected opposition mayors. After the 2024 local elections, Türkiye's Interior Ministry removed eight mayors from the pro-Kurdish DEM Party and two from the CHP from office, installing government-appointed trustees in their place. Multiple mayors have faced arrest or conviction based on poorly defined and inadequately supported terrorism-related accusations.

The president's excessive powers and his hostile use of them have resulted in a deeply divided society, where institutions are perceived differently by opposing political camps. While pro-government actors fully support the presidential system, opposition parties and sectors of civil society reject it as an authoritarian structure that undermines democratic governance.

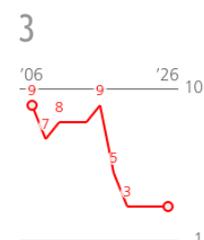
These opposition groups are committed to achieving a change of government through elections. However, the unfair and unfree nature of the electoral system has fueled doubts about the integrity of the democratic process and raised questions about the legitimacy of the elections. Beyond electoral concerns, the judiciary and public administration are widely seen as politicized, further eroding trust in democratic institutions.

On the other hand, the AKP and its allies recognize the legitimacy of the system only as long as they win elections and control institutions. It has become common practice to effectively cancel election results by appointing trustees to replace opposition mayors. In rare cases where the courts do not rule in favor of the government, the legitimacy of these rulings is challenged and they are usually not respected.

Performance of democratic institutions



Commitment to democratic institutions



5 | Political and Social Integration

Türkiye's party system brings together established and emerging forces. While the Republican People's Party (CHP) is the oldest party, with historical roots and a commitment to Atatürk's legacy, the Justice and Development Party (AKP), in power since 2002, has built a vast patronage network and personalized leadership. The ultranationalist Nationalist Movement Party (MHP) and the pro-Kurdish Peoples' Democratic Party (HDP) represent the more polarized ends of the political spectrum. Recent developments have further diversified the political landscape. The Good Party (İYİ Parti) emerged in October 2017, bringing together MHP defectors after the MHP switched sides and formed an alliance with Erdoğan. There are also small conservative parties, some of which broke away from the AKP, that oppose Erdoğan's rule and the presidential system.

The AKP transformed traditional patronage into a sophisticated machine politics system, connecting local elites, municipal officials, businesses and voters through party brokers who regulate clientelist exchanges and resource flows.

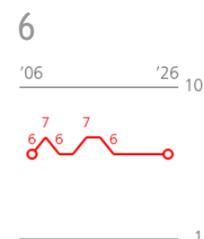
Pro-AKP businesses depend on the government for procurement opportunities and regulatory favors, while the AKP relies on these businesses for financial support, media backing and resources to provide services to potential voters.

Six opposition parties – the CHP, İYİP and four smaller conservative parties – formed the Nation Alliance for the 2023 presidential elections, campaigning on a platform of returning to parliamentary democracy. Following their defeat, the alliance collapsed, with only the CHP achieving stability after winning the 2024 local elections under new leadership. While voter volatility exists within political camps, there is little movement between the ruling alliance and opposition, reflecting deep polarization.

The HDP (now the DEM Party), though opposing Erdoğan, remains outside opposition alliances and faces severe repression, including arrests of leaders and removal of elected mayors. In October 2024, MHP leader Bahçeli unexpectedly proposed Öcalan's conditional release – a move that could potentially reshape DEM's political stance.

Political parties in Türkiye generally lack internal democracy. Leadership is highly centralized, leaving little room for dissent or leadership succession. Candidate selection reinforces this dominance and party loyalty is shaped more by personal leadership than by ideology. This authoritarian internal structure remains a defining feature of Turkish political culture.

Party system



According to data from July 2024, Türkiye has 100,760 registered associations and 6,094 foundations, with only 1.5% of associations (1,536) engaged in human rights advocacy. However, the space for independent activism has shrunk significantly in recent years. Groups critical of the government are increasingly subject to securitization and criminalization. Anti-terrorism legislation is used as a tool to silence CSOs and associations, while human rights activists face arrest, detention and intimidation. Landmark cases such as the Gezi trial and Osman Kavala's life sentence act as a deterrent to civil society activism.

Only 14.4% of Turkish workers are unionized, excluding the large informal labor market, with antiunion activities by employers common and legal protections poorly enforced. Trade unions face government interference and retaliation when their activities disrupt authorities' wishes.

Since the failed coup attempt in 2016, the authorities have closed about 1,400 associations through decrees without legal recourse. The Law on Prevention of Financing the Proliferation of Weapons of Mass Destruction, in force since December 2020, enabled the Ministry of Interior to tighten its control over CSOs, leading to more closures and restrictions. In November 2024, the government drafted the so-called Agents of Influence Bill, allegedly aimed at stepping up efforts against "espionage activities." The bill was another step toward restricting the activities of CSOs by limiting their international cooperation. For now, the bill has been withdrawn.

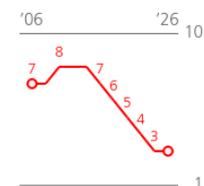
CSOs face heavy taxation, limited and nontransparent public funding, and systematic audits if they receive foreign funds. Organizations working on women's rights, LGBTIQ+ issues and human rights face particularly strong stigmatization and discriminatory treatment. In practice, CSOs are largely excluded from real legislative consultations, while pro-government organizations play a more prominent role. The cumulative effect of these developments has been a steady erosion of civil society culture, in line with Türkiye's broader trajectory of autocratization after the failed coup.

Turkish citizens strongly support democratic ideals yet remain dissatisfied with their implementation.

In a 2024 Pew survey, 80% of Turkish adults supported representative democracy and 79% favored direct democracy. However, satisfaction with the current state of democracy in Turkey is low and declining. According to the same survey, only 33% of Turkish adults expressed satisfaction with how democracy is working in their country, a significant 14-point drop from 47% in 2019. This dissatisfaction is more pronounced among opposition supporters, with only 9% expressing satisfaction compared to 65% of President Erdoğan's supporters.

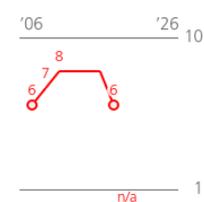
Interest groups

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Approval of democracy

n/a



The same survey showed a split in trust: 46% trust the government to act in the country's interest, while 51% do not. Trust levels align closely with political affiliation – Erdoğan supporters are nearly five times more likely to trust the government. His personal approval reflects this divide, with 55% holding an unfavorable opinion and 43% favorable.

Polls by Kadir Has University show that, as of early 2022, the most trusted institutions were security-related: the police (65.4%), gendarmerie (65.4%) and armed forces (62.4%). The parliament ranked fourth (57%). Least trusted were institutions tightly controlled by the executive: the central bank (46.6%), RTÜK (46.2%) and media (42.6%). Notably, opposition parties ranked as the least trusted institution among all surveyed (40.6%).

A 2022 survey by Yöneylem found that 64% of citizens preferred a parliamentary system, while only 28.5% supported the current presidential model. In a December 2024 Metropoll survey, 66.3% of respondents opposed constitutional changes to allow Erdoğan to run for another term.

Turkish society continues to be marked by long-standing divisions along ethnic, political and religious lines. These divisions have historically manifested themselves both in everyday social interactions and in the organization of civil society. In recent years, however, the intensity of political polarization – defined by V-Dem as the degree to which political differences affect social relations beyond formal political debate – has increasingly come to shape these interactions.

Data from the V-Dem Institute shows that political polarization in Türkiye has deepened dramatically over the last two decades. Following the February 2023 earthquakes, the data recorded a brief decline in polarization levels, likely reflecting the initial sense of solidarity and cross-societal cooperation in relief efforts. However, this improvement was short-lived. Despite the scale of the disaster, unity quickly gave way to politicized debates, mutual accusations on social media and deepening distrust between opposing political camps.

According to Pew Research Center's 2024 survey, the majority of Turkish adults perceive significant societal divisions. Political polarization is viewed as the most prevalent conflict, with 77% of respondents indicating strong conflicts between supporters of different political parties. Ethnic tensions rank second, with 59% of Turkish adults reporting conflicts between people of different ethnic backgrounds. Views on religious conflicts in the majority-Muslim nation are more divided, with 47% perceiving strong religious tensions and 51% saying these conflicts generally do not exist. Political attitudes also influence perception, with those holding favorable opinions of President Erdoğan less likely to report strong religious, political and ethnic conflicts in Turkish society.

Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

Since the early 2000s, structural reforms, global integration and fiscal discipline have helped the country achieve rapid development, lifting millions out of poverty and establishing Türkiye as an upper-middle-income country. However, in recent years, a combination of political instability, poor economic governance and external crises has led to economic stagnation and recurrent crises. Rising inflation, growing inequality and a declining standard of living have intensified socioeconomic barriers, especially for vulnerable groups.

Positive developments since 2000 have elevated Türkiye to rank 45 in the UNDP's 2022 Human Development Index, establishing it as an upper-middle-income country with a score of 0.855. Over the same period, Türkiye's poverty rate declined significantly, reaching 1.4% by 2021. However, in recent years, significant and persistent levels of inflation have exacerbated the risks faced by the most vulnerable segments of the population. The high cost of living, particularly in housing and essential goods, has placed immense financial pressure on urban and rural populations alike. Real wages have failed to keep pace with inflation, further exacerbating income disparities and economic insecurity.

According to the World Inequality Report (2024), income and wealth inequality in Türkiye has deepened further in recent years. This reflects a post-COVID-19 trend of worsening inequality that disproportionately affects lower-income groups. Longitudinal analysis shows that economic inequalities have increased over the past 15 years, with a decrease in income across all population groups due to the economic recession between 2018 and 2021. The Gini coefficient remained stable at 41.9 in 2018 and 2019 but increased to 44.4 in 2021, reflecting a clear rise in income inequality. This trend is further supported by data indicating worsening disparities, particularly affecting precarious employment and informal sector workers.

Ethnicity, gender and place of residence strongly influence access to education and well-paying jobs. Regional disparities in poverty rates remain high, and extreme income gaps between rural and urban areas persist, particularly in the east and southeast of the country, where the average household income is only one-third that of certain western provinces. However, economic exclusion is no longer confined to historically disadvantaged areas. A growing pattern of urban poverty, particularly in Istanbul, Ankara and Izmir, highlights new structural barriers to economic opportunity. Refugees and undocumented workers face widespread exclusion from formal employment, increasing social tensions and economic precarity.

In the United Nations Development Programme's Gender Inequality Index, Türkiye reduced gender inequality significantly, with the country's score improving from 0.427 in 2010 to 0.259 in 2022. However, female participation in the labor force

Question
Score

Socioeconomic
barriers

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remains among the lowest of OECD countries. Policies that prioritize family caregiving roles and insufficient support for working women continue to limit women's access to stable employment.

Child poverty is a serious concern. According to UNICEF, socioeconomic inequalities in income and wealth – along with gaps in the quality, adequacy and coverage of public services in social protection, education, employment, health care and family services – primarily affect children. Rising inflation and declining real wages have made families increasingly reliant on informal networks for survival, further entrenching long-term social exclusion.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	819865.2	907118.4	1118253.0	1323254.8
GDP growth	%	11.4	5.5	5.1	3.2
Inflation (CPI)	%	19.6	72.3	53.9	58.5
Unemployment	%	12.0	10.5	9.4	8.4
Foreign direct investment	% of GDP	1.5	1.5	1.0	0.9
Export growth	%	25.1	9.9	-2.8	0.9
Import growth	%	1.7	8.6	11.8	-4.1
Current account balance	\$ M	-6221.0	-46283.0	-39877.0	-10193.0
Public debt	% of GDP	39.4	30.2	28.7	24.0
External debt	\$ M	436370.1	457917.1	499842.5	-
Total debt service	\$ M	72888.1	69334.6	76347.4	-
Net lending/borrowing	% of GDP	-1.6	-3.2	-4.7	-
Tax revenue	% of GDP	17.9	16.1	18.5	-
Government consumption	% of GDP	12.9	11.7	13.1	14.7
Public education spending	% of GDP	3.5	3.1	-	-
Public health spending	% of GDP	3.6	2.8	-	-
R&D expenditure	% of GDP	1.4	1.3	-	-
Military expenditure	% of GDP	1.9	1.2	1.5	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The shift to a highly centralized presidential system, along with a weakening judiciary and expanding state control over economic policy, has severely restricted free market dynamics. Increased government involvement in key industries, inconsistent regulatory decisions and unpredictable fiscal policies have eroded investor confidence and distorted the business landscape.

Foreign direct investment (FDI) declined from \$19 billion in 2015 to \$10 billion (1.0% of GDP) in 2023 due to political instability, regulatory inconsistencies and capital restrictions. Despite an officially open investment climate, frequent tax changes, arbitrary audits and favoritism deter investors. Türkiye's OECD restrictiveness score rose from 0.07 in 2018 to 0.12 in 2023, reflecting tighter foreign entry barriers.

The real estate sector remains uncertain for foreign investors despite the availability of a citizenship-by-investment pathway. Restrictions apply to certain nationalities, and key industries such as broadcasting, aviation and mining limit foreign ownership.

Ahead of the 2023 and 2024 elections, government interference in market dynamics intensified. Retailers were blamed for inflation and subjected to inspections. Price controls expanded beyond energy and food, while election-driven tax cuts, rent caps and wage hikes offered short-term relief but increased long-term risks and distortions.

Since the 2021 foreign exchange crisis, Türkiye has tightened capital controls, restricting corporate foreign exchange transactions, limiting withdrawals and increasing oversight on foreign exchange loans. The central bank's frequent interventions have distorted markets, deterring foreign investment and raising uncertainty in currency convertibility. Persistent capital controls continue to limit cross-border capital movement, undermining investor trust.

The business environment remains fragile despite reforms such as specialized commercial courts and the ratification of the Singapore Convention for international commercial disputes. Bureaucratic inefficiencies, judicial dependence and excessive licensing hinder competition. According to the Union of Chambers and Commodity Exchanges of Türkiye (Türkiye Odalar ve Borsalar Birliği, TOBB), in 2023, new business formations fell 8.3%, with a further 12.2% drop in 2024. At the same time, during the first seven months of 2024, nearly 15,000 companies closed down, marking a 28% increase compared to the same period in 2023. Additionally, 982 companies sought debt protection, nearly doubling from 2023.

The informal sector remains substantial, with unregistered employment accounting for 27.3% of the labor force in 2023, according to the ILO. Inflation and high labor costs continue to push both employers and workers into informality. While the gig economy has expanded, it remains largely unregulated and offers minimal protection for workers.

Market
organization

6



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Türkiye has an established competition law framework, with antitrust and competition regulations designed to prevent monopolization, cartelization and market abuse. Türkiye's competition laws align with EU antitrust legislation, particularly after the 2020 amendments. The Turkish Competition Authority (TCA) operates as an independent body overseeing enforcement. While the TCA operates with administrative and budgetary autonomy, the direct presidential appointment of its board members raises concerns about potential political influence over its decisions. Moreover, concerns remain regarding the selective application of competition laws, as enforcement often lacks transparency and tends to favor government-linked enterprises.

While formal antitrust mechanisms exist, state intervention in the economy – such as preferential treatment for politically connected businesses, state subsidies and public procurement biases – has weakened the fairness of competition. The government has continued to grant sector-specific exemptions to certain companies, particularly in energy, construction and finance, reinforcing clientelist economic practices. The absence of comprehensive state aid control mechanisms, as previously criticized by the European Union, remains unaddressed.

Merger control regulations are in place, but enforcement is inconsistent, with major acquisitions involving government-affiliated firms facing little scrutiny. Foreign firms in particular encounter greater regulatory hurdles compared to domestic competitors.

The lack of judicial independence further limits legal recourse in competition cases, discouraging challenges to monopolistic or cartel-like practices. Overall, although Türkiye possesses the legal foundations for a competitive market, weak enforcement, state favoritism and political influence over regulatory bodies undermine the effectiveness of competition policies.

Türkiye maintains a relatively open trade regime as a founding WTO member (1995) and participant in the EU–Türkiye Customs Union (1996). The economy is well integrated into the EU market, with bilateral trade reaching a record €206 billion in 2023. The European Union remains Türkiye's largest trading partner, while Türkiye is the European Union's fifth largest. However, Türkiye's deviations from its customs union obligations continue to create friction. The European Commission's 2024 report cited long-standing and new trade barriers that violate the customs union framework, including duty relief schemes, free zones and surveillance measures not aligned with the EU acquis. While Türkiye removed some duties on non-EU-origin goods, it also introduced others in violation of the customs union. Non-tariff barriers such as import surveillance and lengthy customs procedures further hinder trade flows.

These issues stem from asymmetries in free trade agreements (FTAs). While Türkiye is required to align with EU trade policies due to the customs union, it does not automatically benefit from the European Union's FTAs with third countries.

Competition policy

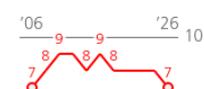
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Liberalization of foreign trade

7



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Meanwhile, Türkiye has signed preferential trade agreements with Malaysia, Venezuela and the UAE – countries with which the European Union has no such agreements. These imbalances disadvantage Turkish exporters and fuel efforts to modernize the customs union. Talks have been ongoing since 2017, but – despite joint committee meetings in 2023 and 2024 – no breakthrough has been achieved.

According to WTO Tariff Profiles, Türkiye's simple average most-favored-nation applied tariff rate in 2023 was 16.2%. However, agriculture remains heavily protected, with an average tariff rate of 39.8% compared to 12.5% for non-agricultural products. Various import quotas and trade restrictions further reinforce the protection of agriculture.

Türkiye has increased its use of anti-dumping measures, particularly against imports from Asia. Although these policies are presented as support for domestic industries, they also raise import costs.

Türkiye currently has 23 active FTAs with four more pending ratification. However, the FTA with Israel is effectively halted, as Türkiye has banned all trade with Israel in response to Israel's war on Gaza.

New FTA talks are underway with Japan, Indonesia and the Gulf Cooperation Council, as well as expansion talks with several Balkan and Asian partners.

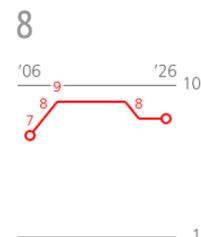
Türkiye's banking system complies with Basel Accords standards, maintaining capital adequacy requirements, risk-based supervision and disclosure rules. While the sector remains well-capitalized and resilient, rising government intervention, regulatory uncertainty and reliance on state-directed lending have affected its long-term stability. Political influence over financial regulators – particularly the Central Bank of Türkiye (CBRT), and Banking Regulation and Supervision Agency (BRSA) – has weakened institutional independence, and raised concerns about supervisory transparency and policy unpredictability.

As of September 2024, Türkiye's capital adequacy ratio stood at 18.2% (up from 18.0% in 2021) and core capital adequacy ratio at 14.3% (14% in 2022), both above regulatory thresholds.

The bank capital-to-assets ratio fell significantly from 10.5% in 2020 to 7.2% in 2021 and increased to 8.2% in 2022. The share of non-performing loans (NPLs) declined to 1.6% by late 2023, reflecting a steady decrease from previous years, although it rose slightly to 1.78% by the end of 2024. Loan-loss provisioning remained prudent, with banks maintaining provision ratios of 84.5% for NPLs in 2023, up from 82.5% in 2022. However, Stage 2 loans – loans with increased credit risk – remained high at 8% of total loans in 2023.

Bank profitability has improved, with a return on assets of 2.5% and a return on equity of 41% as of September 2023, but state-owned banks have underperformed due to their role in credit promotion rather than operating solely on commercial principles. The Turkish Wealth Fund (TWF) injected TRY 51.5 billion into state banks in 2021

Banking system



and TRY 111.7 billion in March 2023 to keep lending below market interest rates before the elections. However, in October 2024, Türkiye restricted public banks' access to these funds and reduced the bond issuance limit from 3% to 1% of budget allocations – signaling tighter fiscal discipline.

In December 2024, Türkiye's gross foreign exchange reserves rose to \$163.5 billion from \$75.4 billion in December 2022, with net reserves (excluding swaps) reaching \$50.1 billion. Total bank assets grew to \$930 billion, but the asset-to-GDP ratio fell to 90% (down six percentage points from the previous year). Loans made up 58% of assets, liquid assets 16%, securities 17% and fixed assets 3%.

Türkiye's capital markets remain underdeveloped, with limited depth compared to peer economies. Stock market volatility remains high, driven by macroeconomic instability and policy uncertainty. Corporate debt markets are shallow, forcing businesses to rely heavily on bank financing. Enforcement of hard budget constraints is weak, particularly among state-owned enterprises and firms with political ties, which often receive preferential lending terms.

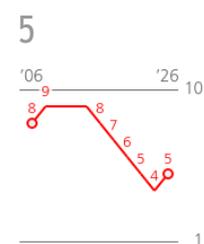
While Türkiye's banking system is fundamentally sound, persistent state intervention, regulatory uncertainty and selective credit allocation create risks for long-term financial stability.

8 | Monetary and fiscal stability

Türkiye's monetary policy shifted sharply in mid-2023, ending years of unorthodox rate cuts and direct political intervention in monetary policy. While the CBRT remains politically linked to the presidency, a new economic team appointed after the May 2023 elections initiated a return to orthodox monetary policies – aiming to restore credibility and market confidence. Although markets trust the current team, especially Finance Minister Mehmet Şimşek, uncertainty persists over their tenure. Erdoğan previously dismissed economic policymakers who pursued similar policies, such as Lütfi Elvan and Naci Ağbal, raising concerns about another sudden reversal. This uncertainty was reinforced when CBRT Governor Hafize Gaye Erkan was replaced in early 2024 – signaling ongoing political volatility in monetary governance.

Between 2021 and mid-2023, the CBRT pursued deeply negative real interest rates despite soaring inflation. However, in June 2023, the CBRT reversed its policy stance, raising the policy rate from 8.5% to over 45% by early 2024 in an effort to curb inflation and stabilize the economy. Inflation surged from 19.6% in 2021 to 72.3% in 2022 before moderating to 53.9% in 2023 and 44.38% in December 2024. While this decline reflects the impact of monetary tightening, it was also partially driven by base effects, as the sharp inflationary surge in 2022 created a high comparison base for subsequent years. Despite monetary tightening, inflation persists

Monetary stability



due to structural rigidities and the Turkish lira's depreciation. Loose pre-election fiscal policies shifted sharply after May 2023 as the government adopted strict monetary tightening and maintained it through the 2024 local elections, defying expectations of renewed expansionary measures.

The Turkish lira continued to depreciate, surpassing TRY 30 per \$1 in early 2024 and exceeding TRY 34 per \$1 by year-end, though at a moderated pace compared to previous years. The CBRT intervened using foreign exchange reserves, but heavy reliance on swaps limits reserve sustainability.

The return to orthodox policy has helped attract some foreign capital, but investor confidence remains fragile. High dollarization shows ongoing distrust in the Turkish lira. Higher interest rates have increased borrowing costs, slowing domestic demand and business expansion. Political uncertainty and regulatory unpredictability continue to limit full-scale investor confidence in Türkiye's monetary framework.

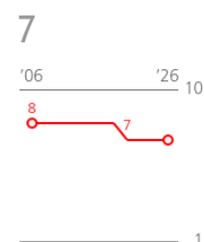
Türkiye's fiscal policy showed a marked contrast between pre-election expansionary measures and post-election fiscal tightening. Ahead of the May 2023 elections, the government engaged in large-scale public spending, including multiple minimum wage hikes, pension increases and tax cuts, which significantly widened the budget deficit. These measures aimed to boost growth and secure electoral support, but they placed additional strain on public finances. In addition, the two earthquakes on February 6, 2023, and subsequent recovery efforts further strained the budget. In 2023, government consumption increased to 13.6% of GDP from 11.7%. After the elections, the government shifted to fiscal consolidation, introducing a series of tax increases and spending constraints to contain the widening deficit.

The current account deficit reached \$45 billion in 2023, driven by energy costs and imports. Monetary tightening, gold trade limits and weaker demand narrowed it to \$9.97 billion by the end of 2024. The current account deficit-to-GDP ratio fell to about 0.7% in 2024 from 3.6% in 2023. Türkiye's long-term average current account deficit is about 3%.

The budget deficit rose significantly from 1.2% of GDP in 2022 to 5.2% of GDP in 2023. Preliminary figures suggest similar levels for 2024. Public debt is moderate by international standards and decreased slightly from 30.8% of GDP in 2022 to 29.3% in 2023. However, the cost of borrowing surged as interest rates increased – raising concerns about the sustainability of public debt.

Türkiye's external financing remains a challenge as high interest rates have increased borrowing costs for both the public and private sectors. Despite a recovery in foreign exchange reserves, reliance on short-term funding and foreign capital inflows exposes the economy to potential shocks. Investor sentiment has improved slightly with the return to orthodox policies. However, confidence remains fragile due to lingering concerns about policy continuity and structural economic imbalances.

Fiscal stability



Despite the current account deficit, Türkiye's foreign exchange reserves increased to \$92.7 billion in 2023 from \$77.9 billion in 2022. This also enabled the CBRT to slow the Turkish lira's rate of depreciation. Total external debt rose slightly from \$437.5 billion in 2021 to \$458.7 billion in 2022. Total debt servicing costs decreased from \$87.1 billion in 2020 to \$69.3 billion in 2022 (current U.S. dollars).

While fiscal stability has improved following recent policy shifts, challenges remain in maintaining a sustainable balance between fiscal discipline and economic growth.

9 | Private Property

Property rights and the regulation of private property are formally well defined in Turkish law. However, the erosion of the rule of law and increasing judicial politicization continue to undermine effective protection.

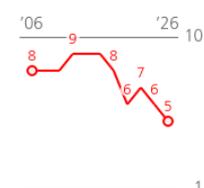
Although legal guarantees remain in place, enforcement is weak, especially regarding intellectual property. Türkiye remains a major source of counterfeit and pirated goods. According to Europol, it is the second-largest source country for pirated products.

During the state of emergency from July 2016 to July 2018, there were widespread confiscations of private property targeting individuals and businesses accused of links to opposition groups. Although the state of emergency officially ended in 2018, asset confiscations continued under different legal mechanisms, including the appointment of trustees, long-term asset freezes and politically motivated judicial decisions. The State of Emergency Inquiry Commission, established to examine appeals against emergency decrees, failed to provide effective legal remedies, with many cases remaining unresolved and some referred to the ECtHR. During the period under review, the Turkish government continued these practices, notably by appointing trustees to companies and municipalities, and effectively transferring control of assets to state-appointed administrators. Seizures linked to political opposition, including those targeting journalists, activists and opposition figures, also continued under various legal pretexts. Many businesses confiscated during the state of emergency remain under government control or have been transferred to pro-government entities.

Furthermore, in the aftermath of the February 2023 earthquakes, the Turkish government passed legislation allowing entire areas to be declared "reserve building areas" and enabling the expropriation of private property for urban transformation. These new powers are already being implemented in earthquake-affected areas such as Hatay, where entire neighborhoods have been designated reserve areas, leading to forced relocations. Although initially designed for disaster zones, the law also permits similar action elsewhere, including Istanbul, where authorities are considering using these powers to accelerate urban transformation. While no official cases have yet been reported in Istanbul, concerns remain that the law's broad scope could result in property expropriations beyond high-risk areas.

Property rights

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Furthermore, following the collapse of the peace process with the PKK in 2015, large-scale property confiscations targeting Kurds, particularly in conflict-affected areas such as Diyarbakır and Sur, remain unresolved. Thousands of Kurds have been forcibly displaced and their property expropriated as part of urban renewal and security measures. Litigation on these expropriations is still ongoing. The European Union continues to emphasize the need for Türkiye to review its property rights legislation to ensure an inclusive framework on property rights, particularly for non-Muslim minorities and other vulnerable groups.

Private companies remain a key element of the Turkish economy. However, the business environment has further deteriorated because of increased state interference, unpredictable legislation and erosion of judicial independence. State interventions such as selective tax audits, politically motivated investigations and favoritism in public procurement continue to undermine fair competition and legal certainty for businesses.

Privatization revenues dropped from \$413 million in 2021 to \$181 million in 2023. There is a general downward trend in large-scale privatizations, with the government focusing on consolidating state control over key sectors through entities such as the Turkish Wealth Fund (TWF). The TWF managed about \$317 billion of assets by the end of 2023, operating in seven sectors including financial services, transportation and logistics, energy, technology and telecommunications, agriculture and food, real estate, and mining, iron and steel.

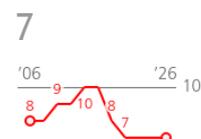
10 | Welfare Regime

Türkiye's Social Security Institution administers welfare, offering contributory benefits such as pensions, health insurance and disability support, as well as non-contributory aid for low-income groups. Life expectancy reached 78.5 years in 2022.

The 2023 retirement age exemption reform removed the retirement age for those employed before 1999, allowing 2.2 million people to retire immediately. This pushed pension spending to 8% of GDP, above the OECD average of 7.7%. High inflation eroded the minimum pension, which is TRY 14,469 (€380) per month as of January 2025.

General Health Insurance (GSS) provides near-universal coverage, but regional disparities persist. Public health spending (3.6% of GDP in 2021) is below the WHO Europe average. The government covers insurance premiums for 8.7 million low-income individuals, but rising out-of-pocket costs strain accessibility. The emigration rate of medical professionals has increased sharply due to political pressures and deteriorating working conditions.

Private enterprise



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Social safety nets



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Social assistance spending rose to 2.1% of GDP in 2023, up from 1.74% in 2021, but benefits lag behind inflation. Informal employment remains high at 27.3% in 2023, particularly among women and refugees, limiting access to social security. Unionization faces restrictions and, despite wage hikes, real incomes decline.

Türkiye hosts 3.5 million Syrian refugees and hundreds of thousands of other refugees. The EU-funded Emergency Social Safety Net (ESSN) program aids one million refugees, but benefits are limited. Syrians are covered under GSS, while non-Syrians lose coverage after one year except for emergency care.

Türkiye's legislative and institutional framework on gender equality, shaped largely by the EU accession process, has weakened due to policies promoting conservative family values, limiting women's empowerment.

In 2021, Türkiye withdrew from the Istanbul Convention, despite high femicide rates – 308 women were killed in 2023. Gender disparities in employment persist, with female labor force participation at 35.3% (compared to 71.6% for men). Women held only 20.1% of parliamentary seats in 2023. Türkiye ranked 129th out of 146 in the 2023 Gender Gap Index. Significant gender disparities continue in education, particularly in rural regions and among economically disadvantaged groups, where girls often face pressure to leave school early due to traditional family expectations or financial difficulties. Despite overall progress, female literacy remains lower at 94% compared to 99% for men.

Furthermore, increasing clientelism in governmental policies and public employment (which includes municipalities and private companies closely associated with the government) makes political preference an important factor in discrimination and unequal access to employment. Discrimination based on ethnicity, religion and political affiliation significantly restricts access to employment, particularly in the public sector. Kurdish and Alevi communities, for instance, frequently face barriers due to implicit and explicit exclusionary practices, compounded by weak enforcement of anti-discrimination laws.

Hate speech targeting ethnic and religious minorities has increased, deepening societal divisions. Refugees face limited work opportunities due to legal barriers, long permit delays and high rejection rates, forcing many into precarious jobs.

11 | Economic Performance

Global uncertainties and Türkiye's credit-driven growth strategy before the 2023 election prioritized low unemployment over macroeconomic stability, fueling high inflation and currency depreciation.

In 2023, Türkiye's real GDP per capita (PPP) increased to \$44,151 from \$38,355 in 2022, with a growth rate of 4.1%. However, this growth was accompanied by inflation rates of 72.3% in 2022 and 53.9% in 2023, demonstrating the persistent instability in price levels. Despite this high inflation, the pre-election policy of

Equal opportunity

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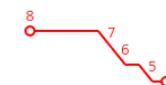


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Output strength

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keeping interest rates low led to increased credit expansion, fueling consumption and investment but also weakening macroeconomic stability. Unemployment declined from 10.4% in 2022 to 9.4% in 2023, reflecting the government's efforts to maintain economic activity and job creation through expansionary policies.

The current account balance remained deeply negative, with deficits of \$45.8 billion in 2022 and \$44.9 billion in 2023. This was primarily driven by Türkiye's dependence on energy imports and external financing, exacerbated by currency depreciation. Gross capital formation also declined from 35% in 2022 to 29.4% in 2023, indicating reduced investment activity despite policy measures aimed at stimulating growth.

FDI remained weak, with inflows accounting for only 1% of GDP in 2023, down from 1.5% in 2022. Investor confidence was undermined by economic volatility and policy unpredictability in the run-up to the 2023 elections.

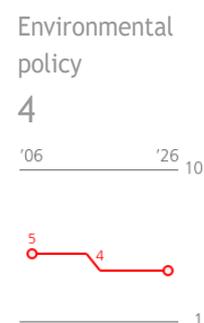
Following the elections, the government shifted to orthodox policies, raising interest rates to curb inflation. While inflation saw a partial decline, this was due in part to base effects rather than fundamental improvements in price stability. Consequently, high inflation became chronic, reflecting structural weaknesses. Despite economic growth, weak investment confidence and external imbalances persist, underscoring Türkiye's ongoing economic vulnerabilities.

12 | Sustainability

Türkiye faces major environmental challenges due to a persistent prioritization of economic growth over sustainability. Although the government has aligned some regulations with EU standards, weak enforcement and legal loopholes remain key barriers.

Türkiye's environmental framework is shaped by Environment Law No. 2872 (1983), which has been revised multiple times, and the National Climate Change Action Plan (2011 – 2023). Preparations for a climate law, initiated in 2021 following Türkiye's ratification of the Paris Agreement, did not lead to its adoption during the review period. However, by the end of the review period, the draft – intended to provide a legal framework for the net zero target – was reportedly close to being submitted to the parliament. In parallel, the government published its Long-Term Climate Strategy in November 2024, outlining sectoral decarbonization targets and major policy tools such as an emissions trading system. While the strategy sets important goals, its lack of a coal phase-out plan and allowance for emission growth until 2038 have drawn criticism.

According to the 2025 Climate Action Tracker report, Türkiye's policies are rated as "highly insufficient," with growing reliance on fossil gas and continued use of coal undermining its net zero commitments and risking long-term fossil fuel dependency.



Fossil fuels remain dominant in Türkiye's energy mix. The government promoted domestic energy production, including the Sakarya Gas Field in the Black Sea, as a strategy to reduce external energy dependence. However, concerns persist over ecological damage to marine ecosystems. Despite increased investments in renewable energy sources such as wind and solar, these efforts remained insufficient to offset the environmental impact of fossil fuel consumption. As of 2022, 82.8% of primary energy supply still comes from fossil fuels. Per capita greenhouse gas emissions were 6.6 tons of CO₂ equivalent in 2022, slightly decreasing from 6.8 tons in 2021.

Mining projects in ecologically sensitive regions intensified during 2023 and 2024. The Kaz Dağları region saw renewed controversy over the Halilağa Copper Mine Project and the Lapseki Gold Mine, both approved by the courts despite environmental objections. Similarly, hydropower projects in the Eastern Black Sea triggered local protests due to deforestation and ecosystem damage.

Major infrastructure projects often bypass environmental assessments. The Kanal İstanbul project remains a serious concern, with experts warning of irreversible harm to freshwater reserves and maritime safety. Additionally, Türkiye remains the European Union's top waste importer, receiving 456,507 tons of plastic in 2023. Poor waste management, especially in Adana, has led to pollution and toxic exposure. Weak judicial enforcement further enables harmful projects despite legal objections.

While Türkiye has made strides in expanding access to education and increasing R&D investments, challenges remain in improving the quality of education and ensuring academic freedom.

Education spending, which had been above 4% of GDP for many years, fell to 3.5% in 2021 and 2.6% in 2022 – well below the OECD average of 4.9%. PISA 2022 scores in math (453), reading (456) and science (476) remain below OECD averages (472, 476 and 485 respectively).

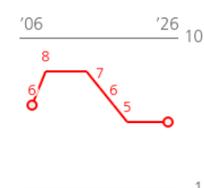
The literacy rate reached 97% in 2019 and 97.6% in 2023. Türkiye's score in the U.N. Education Index steadily increased from 0.658 in 2012 to 0.841 in 2021 and remained at the same level in 2022.

While the gross enrollment ratio stands at 102.5% for primary education, 116% for secondary education and 127.6% for tertiary education, net enrollment rates reached 93.8% (primary), 91.2% (lower secondary) and 91.7% (upper secondary level) in the 2022/23 education year. Early childhood education enrollment increased to 48% in 2023 from 41% in 2020 but still remains well below the OECD average of 83%.

Tertiary education has expanded, with 22.5% of men and 19.6% of women holding higher degrees. Türkiye has 208 universities and more than eight million students, the largest number in the European Higher Education Area. However, there is a profound disparity in the quality of education offered by universities. While several high-quality academics have left the country, partisan academics have begun to

Education policy /
R&D

5



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occupy top academic positions. The president's politicized appointment of rectors has intensified repression, while students face police violence. Türkiye rejoined Erasmus+ in 2021.

R&D investment grew from 0.8% of GDP in 2013 to 1.42% in 2023 but remains below the 1.8% target and the EU average of 2.3%. The private sector accounts for 65% of R&D spending.

Governance

I. Level of Difficulty

Türkiye faces multiple structural constraints that significantly affect governance capacity. These challenges include geopolitical instability, economic vulnerabilities, natural disasters and regional disparities, many of which have persisted or intensified during the review period.

One of the most severe recent structural constraints have been the February 6, 2023, earthquakes, which caused more than 50,000 deaths and widespread destruction across southeastern Türkiye. However, the government is partly to blame, as the disaster exposed deficiencies in urban planning, disaster preparedness, building inspections and infrastructure resilience, further straining government resources and slowing economic recovery in the affected regions. Reconstruction efforts continue to require significant state intervention and external financial assistance.

Geopolitically, Türkiye is located in a high-risk region, bordering conflict zones in Syria and the Caucasus. The ongoing war in Ukraine and the escalation of Israel's war on Gaza following the October 7, 2023, Hamas attack has led to security challenges, diplomatic tensions and economic disruptions. Türkiye continues to host 3.5 million Syrian refugees as of the end of 2024.

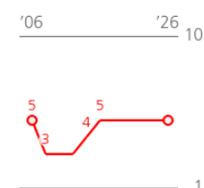
Tourism, while a major economic driver, remains a vulnerable sector, susceptible to external shocks such as regional instability, pandemics or global economic downturns. Türkiye remains one of the world's most visited countries, but dependence on tourism revenue poses risks in times of crisis.

Türkiye's civil society has historically been weak due to the dominance of the central state. During the early Republican era, civil society was largely state-controlled and used as a tool for disseminating official ideology. Since the 1980s, civil society organizations (CSOs) have diversified, addressing issues such as human rights, women's rights and minority rights. The EU accession process in 1999 further encouraged the growth of independent civil society engagement. However, deep-rooted state suspicion toward oppositional CSOs has persisted.

Human rights organizations, press freedom groups and labor unions frequently face legal and administrative barriers.

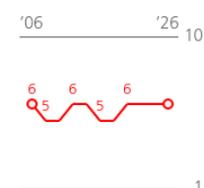
Structural constraints

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Civil society traditions

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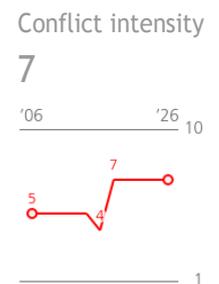


Civil society participation remains low compared to that in developed countries. Membership in CSOs is often shaped by ideological, religious or regional affiliations, reinforcing social divisions rather than fostering broad civil society engagement.

However, informal civil society engagement persists, particularly in times of crisis. The aftermath of the 2023 earthquakes saw widespread volunteerism and grassroots solidarity efforts, highlighting the resilience of community-based initiatives even in a restrictive environment.

Turkish society is divided along deep ethnic (Turks vs. Kurds), sectarian (Sunnis vs. Alevis), ideological (Kemalists vs. Islamists), political (conservative-religious vs. secular) and increasingly anti-refugee (nationals vs. Syrians) fault lines. The Kurdish-Turkish fault line manifests in violent confrontations between Turkish security forces and the PKK, a conflict that has lasted more than 40 years. In recent years, large-scale clashes have primarily occurred outside Türkiye's borders, particularly in northern Iraq and Syria, though violence has occasionally spilled over into the country. Most recently, in October 2024, MHP leader Devlet Bahçeli initiated a new political process aimed at addressing the Kurdish issue. However, as of now, it remains unclear whether this initiative will result in a meaningful de-escalation in tensions. The leaders and members of the pro-Kurdish HDP continue to experience harassment and arrest. Secular segments of Turkish society remain concerned about the ongoing undermining and weakening of safeguards for civil liberties, and a parallel Islamization of Türkiye under AKP rule. During the review period, there were violent attacks on refugee neighborhoods and businesses, particularly after highly publicized crimes involving Syrians.

The 2023 general elections further deepened societal polarization, as political divisions between opposition and pro-government groups became more pronounced. The government's increasing pressure on opposition voices, media and civil society has exacerbated societal tensions, contributing to a confrontational political climate. President Erdoğan has actively fueled societal divisions to consolidate political support, using polarizing rhetoric and policies that deepen existing fault lines. Deep polarization is observed not only within society but also among the political elite.



II. Governance Performance

14 | Steering Capability

The government's strategic prioritization remains largely driven by short-term political considerations rather than long-term planning. Leading up to the 2023 general elections, government policies were designed primarily to maintain electoral support, with a focus on immediate economic relief measures such as credit expansion, wage increases, debt restructuring and the long-delayed approval of the retirement age exemption rather than structural reforms.

The numerous elections held since 2015 have caused the government to focus on short-term priorities for political benefit. In addition, Russia's invasion of Ukraine, tensions with the United States and the economy's dependency on FDI have further limited the government's capacity to set strategic priorities and maintain them over extended periods of time.

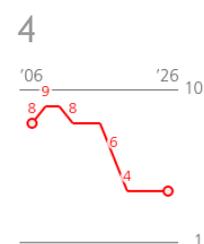
While the state bureaucracy continues to produce strategic policy documents, including the 12th Development Plan (2024 – 2028), Medium-Term Program (2024 – 2026), Climate Change Mitigation Strategy and Judicial Reform Strategy, these plans largely lack genuine political backing.

Following the 2023 elections, the government made a partial shift toward macroeconomic stabilization, raising interest rates and tightening fiscal policies in response to financial pressures. However, these adjustments were largely reactive rather than the result of a comprehensive long-term strategy, as macroeconomic stabilization efforts have not been accompanied by structural reforms in key areas such as taxation, labor markets and industrial policy. Beyond economic governance, broader structural reforms in education, the judiciary and public administration have also been neglected, with short-term political imperatives taking precedence.

The absence of scheduled elections before 2028 provides the government with a rare opportunity to pursue necessary structural reforms without immediate electoral pressures. Nearly two years after the 2023 elections, the government has shown little inclination toward structural reforms, continuing its preference for short-term political maneuvers over sustained policy change.

Question
Score

Prioritization



Implementation of policies has been inconsistent, with significant gaps between announced strategies and actual outcomes. New strategic plans – including the 12th Development Plan (2024 – 2028), Medium-Term Program (2024 – 2026), 2024 Climate Change Mitigation Strategy and 2025 Judicial Reform Strategy – set ambitious targets. However, persistent structural and political challenges cast doubt on their implementation. Previous initiatives – such as the 2021 Human Rights Action Plan, 2019 Judicial Reform Strategy and Economic Reform Programme (2022 – 2024) – largely failed to achieve their objectives, raising concerns that the new plans may suffer a similar fate.

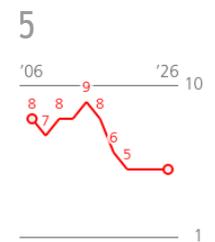
Implementation efforts often prioritize policies that consolidate political control rather than long-term institutional improvements. Large-scale projects such as housing initiatives and defense industry expansions receive significant government support, while reforms that require systemic change – such as judicial independence, economic reforms and public administration – are frequently stalled or inconsistently executed. In the same vein, although the executive remains rhetorically committed to the idea of EU membership, the AKP has completely abandoned those domestic reforms related to EU accession conditions. The government’s centralization of decision-making under the executive further limits institutional capacity and bureaucratic efficiency, leading to delays and inconsistencies in policy execution.

Furthermore, clientelism profoundly shapes policy implementation, with the ruling AKP exchanging political support for material benefits. Key sectors affected include housing (notably via the state housing agency TOKİ), infrastructure, public procurement and disaster management. The construction sector lies at the heart of this system, with pro-government companies receiving preferential contracts and regulatory privileges. These firms in return provide financial support and media backing to the AKP. Construction amnesties – most notably the 2018 pardon that legalized millions of unlicensed buildings in exchange for fees – demonstrate how regulatory powers are used to generate revenue and mobilize electoral support while undermining long-term planning and safety oversight.

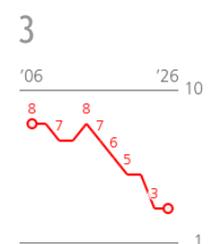
With Türkiye’s increasing autocratization since 2011, the AKP’s initial willingness to learn and adjust its policies during its first two terms in power has faded. The new system revolves around a president who holds absolute decision-making power in both domestic and foreign policymaking. This arbitrary, old-fashioned authoritarian system leaves no room for alternative views or criticism and undermines the participation of high-level bureaucracy in decision-making.

While some policy shifts – such as the return to orthodox macroeconomic policies or foreign policy steps aimed at repairing relations strained during the Arab Spring – suggest adaptation, they have been reactive rather than proactive. Repeated adherence to failed policies, followed by abrupt reversals, illustrates the absence of structured evaluation mechanisms. In the absence of independent media, pluralistic civil society and vivid opposition, no effective monitoring holds the executive accountable.

Implementation



Policy learning



Although Türkiye remains engaged in multilateral forums, its ability to integrate international best practices into domestic policymaking is constrained by ideological considerations and an increasingly insular approach to governance.

15 | Resource Efficiency

Türkiye's public administration remains inefficient due to hyper-centralization, politicized hiring and weak financial management. The post-2016 purge weakened institutions and vacancies have been filled with politically aligned but often unqualified personnel. Patronage-driven public sector employment undermines efficiency.

The European Commission's 2024 report notes a lack of neutrality and merit-based hiring, with political favoritism dominating senior appointments. While civil service recruitment was traditionally based on competitive examinations, interviews have played a growing role since 2016 and have become a vehicle for political favoritism. Despite promises to eliminate interview-based hiring, no action has been taken.

Over the past decade, public sector employment grew by 49.2%, rising from 3,440,039 in 2014 to 5,134,000 in 2024. However, this expansion has not been driven by administrative needs but rather by the government's clientelist approach – using state employment as a means to distribute patronage and maintain political loyalty. According to the Ministry of Labor and Social Security's June 2024 report, women make up only 23.1% of unionized public sector employees in Türkiye, far below the OECD average of 58.9%.

Administrative inefficiency is worsened by centralization and a weak division of responsibilities among governmental institutions. Opposition-led municipalities face financial restrictions from the central government, limiting their ability to deliver public services. Political interference in resource allocation further strains local governance, while superficial public administration reforms have failed to address bureaucratic inefficiencies.

As for budget efficiency, according to the European Commission, no progress has been made in developing an overarching public financial management reform program. Parliamentary engagement and oversight of the budget remain limited, making overall budget planning, implementation and auditing less transparent. Numerous exceptions in the public procurement law continue to undermine the transparency of tenders and public spending. Türkiye lacks an independent oversight body to ensure fiscal discipline. While the Turkish Court of Accounts (TCA) conducts a range of ex post audits, there is no effective parliamentary or judicial follow-up to its reports, further weakening accountability. The 2023 budget deficit, initially projected at TRY 659.4 billion, surged to TRY 1.4 trillion due to election spending and earthquake recovery. In 2024, the deficit was projected at TRY 2.7 trillion but remained at TRY 2.11 trillion by December. Government debt-to-GDP fell slightly from 30.8% in 2022 to 29.3% in 2023.

Efficient use of assets

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'06 '26 10



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Rather than streamlining decision-making, Türkiye's over-centralization has resulted in inefficiencies, bureaucratic inertia and weak interagency coordination. Ministries lack autonomy, as even minor decisions require presidential approval, which slows implementation.

The 2023 earthquakes exposed serious deficiencies in crisis coordination. The government's delayed response, compounded by an ineffective bureaucratic structure and the sidelining of local authorities, led to significant disruptions in disaster relief efforts. Centralization of decision-making resulted in a slow mobilization of emergency resources – demonstrating the risks of an overly rigid governance model.

In economic and foreign policy, Türkiye's elimination of consultation mechanisms has resulted in arbitrary decision-making, driven by political priorities and short-term changes. Foreign policy remains transactional, shaped by shifting domestic considerations rather than a coherent long-term strategy, making Türkiye an unpredictable partner for the West.

In local governance, the central government actively undermines opposition-led municipalities by imposing financial restrictions and administrative hurdles, limiting their effectiveness. Rather than fostering coordination, it deliberately obstructs local governments' ability to provide public services, using these barriers as a political tool to discredit opposition leadership.

Corruption remains deeply entrenched in Türkiye's political and economic system, exacerbated by the highly centralized presidential system and the lack of effective oversight. The 2013 corruption scandal involving several members of Erdoğan's family and cabinet, and subsequent harsh measures to persecute investigators, halted Türkiye's anti-corruption efforts, setting a precedent for continued impunity. Despite being party to international anti-corruption conventions, the government has shown no political will to implement key recommendations from the Council of Europe's Group of States against Corruption (GRECO) and the European Commission. The 2024 European Commission Progress Report continues to highlight the lack of transparency and undue political influence in corruption cases, further undermining anti-corruption efforts.

The public procurement system remains a major area of concern, with increasing reliance on non-competitive tendering and discretionary contracting benefiting government-aligned businesses. Large gaps persist in Türkiye's alignment with EU public procurement standards, as noted by the European Commission, with growing exemptions in procurement procedures raising concerns about transparency. According to World Bank data from 2020, five of the top 10 companies worldwide awarded the highest-value public contracts are based in Türkiye, highlighting the extent of preferential treatment in state tenders. The reconstruction efforts following the 2023 earthquakes further highlighted corruption risks, as reports surfaced of politically connected firms receiving contracts without proper oversight.

Policy coordination

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Anti-corruption policy

2



Additionally, corruption remains widespread in areas such as political financing, local administration, land administration, zoning and construction, where transparency and regulatory oversight are lacking. The absence of legislation on lobbying further weakens accountability in political party financing and policymaking. The judiciary's lack of independence and suppression of investigative journalism prevent enforcement of anti-corruption laws, allowing systemic corruption to persist.

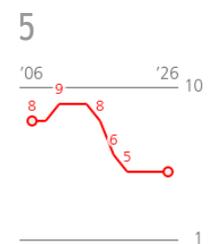
16 | Consensus-Building

While the importance of democracy is widely accepted, its interpretation remains contested. The government supports a majoritarian model, consolidating power and restricting opposition, while opposition parties advocate for democratization and a parliamentary system. Despite its rhetorical commitment to democracy, the government's stance appears dependent on electoral victories, as seen in its skepticism toward the legitimacy of the opposition and increased use of trustees in municipalities controlled by the opposition. Before the 2023 elections, concerns arose over whether the government would accept defeat, with some indications it might not recognize an opposition victory. This scenario remained untested because of the government's electoral success.

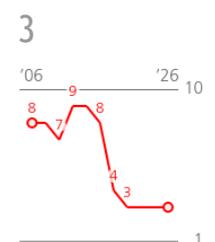
Consensus on a market economy persists, but economic governance remains contentious. The government's return to orthodox policies in 2023 was driven by necessity, not ideological alignment. The presidential system further marginalizes opponents, limiting strategic consensus.

With Türkiye's transformation during the AKP's 20 years in power, traditional veto powers such as the bureaucracy and judiciary that hindered democratization have been eliminated. However, this has not led to democratization. On the contrary, eliminating these veto players facilitated Türkiye's transition away from a parliamentary democracy, leaving the executive largely free to exercise unchecked power. The transition to a presidential system in 2018 accelerated the country's autocratization. Today, the executive itself has become the most significant anti-democratic actor. The few remaining liberal-democratic actors and reformers lack the power to reverse Türkiye's autocratization, which is led by the country's "democratically" elected president.

Consensus on goals



Anti-democratic actors



The government continues to fuel polarization by using divisive rhetoric, framing the opposition as enemies of the state and reinforcing an “us vs. them” narrative. This strategy has deepened societal cleavages, leaving little room for reconciliation or dialogue.

The Kurdish issue remains unresolved, with ongoing repression of pro-Kurdish actors. While judicial pressure and trustee appointments continue, MHP leader Devlet Bahçeli unexpectedly proposed engagement with Kurdish actors – including indirect talks involving Abdullah Öcalan – in October 2024. However, skepticism is high as repression persists, and many see this as a tactical move to secure Kurdish support for Erdoğan rather than a genuine peace effort. The initiative’s impact remains unclear.

Sectarian tensions resurfaced during the 2023 elections when Erdoğan exploited opposition candidate Kılıçdaroğlu’s Alevi identity to mobilize Sunni voters – highlighting the enduring role of sectarian politics.

Independent CSOs, especially those advocating for human rights and democracy, remain excluded from policymaking, while pro-government and religious organizations gain influence, particularly in education.

The AKP government employs a dual strategy of repression and appropriation. Legal and political restrictions – such as the counter-terrorism law and the 2020 Law on Preventing the Financing of the Proliferation of Weapons of Mass Destruction – have become key tools of pressure against civil society. These regulations enable the government to freeze NGO assets, appoint trustees to organizations and launch investigations or prosecutions under vague terrorism-related accusations, effectively dismantling independent civil society initiatives and criminalizing dissent. According to CIVICUS Monitor 2023, Türkiye remains categorized as a “repressed” society, reflecting systemic barriers to freedom of association and expression.

Beyond repression, the AKP government has significantly expanded pro-government CSOs in sectors such as youth, women’s, education and family policy to advance its conservative-nationalist agenda. Rather than merely repressing civil society, the government employs an “appropriation” strategy, creating a symbiotic relationship through two main approaches: establishing new government-dependent CSOs (often including Erdoğan family members or high-level AKP officials in leadership roles) and co-opting existing organizations by installing pro-government leaders or appointing current leaders to government positions. This has produced a pro-government civil society faction that maintains limited internal autonomy but depends on the AKP for public visibility, discourse and funding. These organizations ultimately function as extensions of government influence, conducting activities that align with and reinforce official policies rather than serving as independent civil society entities.

The executive largely excludes civil society and, on rare occasions when it seeks input, relies only on state-controlled channels.

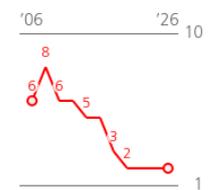
Cleavage /
conflict
management

2



Public
consultation

2



Türkiye's leadership has historically failed to pursue genuine reconciliation regarding past injustices, instead using historical grievances as political tools. While Erdoğan's governments have at times taken symbolic steps on issues such as the Armenian genocide, the Kurdish issue and the repression of Alevi communities, these efforts have typically been tied to political calculations rather than sincere attempts to achieve justice or reconciliation.

Discrimination against Alevi communities persists, with the government not only failing to address these issues but at times also actively engaging in anti-Alevi rhetoric.

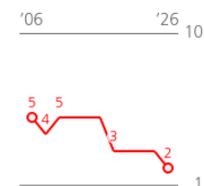
Similarly, Erdoğan's administration engaged in Armenian genocide discussions as a means of challenging state elites but abandoned the issue once its political objectives shifted. Not only did the government remove the issue from its agenda, but it also adopted a repressive stance against those who sought to keep it in public discourse, including banning Armenian Genocide Commemoration Day events in 2022, 2023 and 2024. Türkiye's non-Muslim communities continue to face considerable discrimination.

The Kurdish issue has seen two attempted peace processes, both abandoned once they no longer served Erdoğan's political agenda. While Erdoğan initially acknowledged the Kurdish issue and entered into negotiations with the PKK, the process was completely reversed in 2015 when he aligned with the ultranationalist MHP. Most recently, in late 2024, MHP leader Devlet Bahçeli unexpectedly proposed a new Kurdish reconciliation process, sparking skepticism given MHP's long-standing opposition to Kurdish political rights. With repression of Kurdish political actors continuing, many view this latest initiative as an attempt to secure Kurdish political support for Erdoğan rather than a genuine effort at reconciliation. The trajectory of this initiative remains uncertain and any meaningful progress will be assessed in future reports.

In addition to these unresolved historical issues, Türkiye faces a new area requiring reconciliation. Following the failed 2016 coup attempt, which the government attributed to the Gülen movement, authorities launched a widespread and systematic crackdown on perceived members of the movement. This has included mass arrests, asset seizures, dismissals from public service, and severe restrictions on civil and political rights, effectively leading to social exclusion for hundreds of thousands. While the initial intensity of repression has somewhat diminished, the overall pressure remains, with no indication of a reconciliation process on the horizon. Few voices in Turkish society openly advocate for justice and reconciliation for these individuals, and those who do often face legal persecution under broad anti-terror laws.

Reconciliation

2



17 | International Cooperation

The government continues to engage with international partners for economic and developmental cooperation, though its approach remains largely transactional, and shaped by immediate political and economic needs rather than a clearly defined long-term strategy.

The European Union remains the main donor, especially for refugee support. By December 2024, it had committed €6 billion under the Facility for Refugees in Türkiye, with €5.7 billion disbursed.

This funding addresses needs in areas such as humanitarian assistance, education, migration management, health care, municipal infrastructure and socioeconomic support. Additionally, an extra €3 billion was mobilized for the period from 2021 to 2023 to continue key interventions, bringing total EU assistance to nearly €10 billion since 2011.

Beyond humanitarian aid, Türkiye has sought infrastructure and economic cooperation with various international actors, particularly Gulf countries, China and Russia. In 2023, Türkiye intensified efforts to attract foreign direct investment and financial assistance from the Gulf, securing economic agreements with Saudi Arabia, the UAE and Qatar. These agreements, worth billions of U.S. dollars, primarily focus on energy, defense and infrastructure, aligning with Türkiye's short-term economic stabilization efforts amid high inflation and currency volatility.

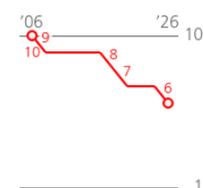
However, the government's approach remains short-term and reactive, lacking a clear plan for integrating external assistance into long-term development.

Türkiye's credibility and reliability as an international partner remain mixed. While the country maintained its participation in key multilateral organizations and treaties, its selective adherence to international commitments and increasingly transactional approach to diplomacy raised concerns among its partners.

Türkiye's compliance with international agreements reveals a pattern of formal participation without substantive implementation across multiple domains. Despite being party to the Paris Agreement, Türkiye lacks a climate law, emissions trading system and a credible strategy to meet its 2053 climate-neutrality goal. Regarding labor rights, Türkiye violates principles of the convention by permitting widespread anti-union discrimination. For example, following the 2016 coup attempt, thousands of union members were dismissed under state of emergency decrees. Türkiye has not ratified the Rome Statute of the International Criminal Court, the U.N. Convention on the Law of the Sea (UNCLOS) or the Arms Trade Treaty despite being a signatory. Most alarmingly, Turkish authorities and courts systematically ignore or reject binding European Court of Human Rights (ECtHR) judgments – demonstrating a fundamental breakdown in adherence to the European Convention on Human Rights and perpetuating serious human rights violations through this judicial defiance.

Effective use of support

6



Credibility

4



In 2024, the Financial Action Task Force (FATF) removed Türkiye from its “grey list” of countries requiring special scrutiny, recognizing the country’s progress in combating money-laundering and terrorist financing since its downgrade in 2021. However, its alignment with EU foreign policy remained weak. As an EU candidate, Türkiye’s alignment rate with the European Union’s Common Foreign and Security Policy (CFSP) further declined to 5% from 7% in the previous review period. Türkiye continued to diverge from EU restrictive measures, particularly regarding Iran, Libya and Syria, and refrained from implementing sanctions on Russia following its invasion of Ukraine.

As a NATO member, Türkiye fulfilled its formal obligations, participating in joint exercises and maintaining strategic commitments. However, its deepening ties with Russia raised doubts about its long-term reliability within the alliance. Türkiye’s handling of NATO enlargement significantly damaged its credibility. Despite initially signaling informal approval, President Erdoğan later blocked the accession of Sweden (until January 2024) and Finland (until March 2023), citing vague security concerns. This delay was widely perceived as a political maneuver to gain leverage in negotiations with the United States and other NATO allies. The delay left both countries vulnerable, as they had already made their NATO applications public after consulting Erdoğan – exposing them to potential Russian threats while remaining outside NATO’s security umbrella. Western leaders widely perceived Türkiye’s actions as an act of bad faith, reinforcing perceptions of Türkiye as an unreliable partner.

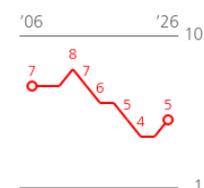
Beyond its foreign policy inconsistencies, Türkiye’s credibility in international relations has also been undermined by the increasing arbitrariness of its decision-making under the new presidential system. Foreign policy has become highly politicized, personalized and unpredictable, marked by abrupt shifts in positioning between major global powers and a reliance on coercive tactics rather than diplomacy in regional disputes such as those in northern Syria and Cyprus. These tendencies have further eroded trust in Türkiye’s commitment to stable, rules-based international engagement.

Türkiye’s regional cooperation during the review period was marked by significant steps toward diplomatic normalization, alongside ongoing geopolitical tensions. While transactional elements persisted in its foreign policy, Türkiye made tangible progress in improving relations with key regional actors, and expanding diplomatic and economic engagement.

The most significant diplomatic initiatives took place in the Middle East, where reconciliation and normalization processes that had begun in the previous review period started yielding concrete results. Relations with Gulf states, particularly Saudi Arabia and the UAE, improved significantly, with growing economic cooperation and investment agreements. Ties with Egypt also saw a breakthrough when Türkiye and Egypt fully restored diplomatic relations in July 2023, ending a decade-long

Regional
cooperation

5



period of hostility. Türkiye also pursued diplomatic normalization with Israel – marked by a meeting between Erdoğan and Netanyahu in September 2023 – but relations quickly deteriorated following Israel’s war on Gaza, leading to another collapse in bilateral ties.

Türkiye maintained its military presence in northern Syria and Iraq, citing PKK/YPG threats. In Iraq, military operations against the PKK intensified, straining relations with Baghdad. While Türkiye coordinated with both the Iraqi central government and the Kurdistan Regional Government (KRG), repeated airstrikes on Iraqi territory raised sovereignty concerns. However, the Kurdish opening process launched in Türkiye in October 2024 has the potential to shift this dynamic. If successful, it could pave the way for Türkiye to scale back or end its military operations in northern Syria and Iraq.

Alongside its military presence in Syria, Türkiye sought normalization with the Assad regime, following its broader regional reconciliation strategy. However, these efforts in 2023 and 2024 failed to produce tangible results. The landscape changed dramatically in December 2024, when Turkish-backed Syrian opposition forces launched an offensive against the Assad regime. Contrary to expectations, this offensive resulted in a swift regime collapse and the formation of a new government in Syria. The most dominant faction in the new ruling coalition, Hay’at Tahrir al-Sham (HTS), had grown under Türkiye’s protection and maintains strong ties with Ankara. Additionally, armed groups directly controlled by Türkiye became key actors in the new administration. As a result, Turkish-Syrian relations shifted overnight from hostility to a close alliance. Türkiye is now one of the most influential external actors in Syria and the new regime’s primary ally – marking a historic shift in bilateral relations and significantly altering the regional balance of power.

Another significant aspect of Türkiye’s regional engagement was its balancing strategy in the Russia-Ukraine war. Türkiye enforced the Montreux Convention, restricting the movement of Russian warships in the Black Sea, and provided diplomatic and military support to Ukraine. At the same time, Türkiye refused to impose sanctions on Russia and instead functioned as an economic loophole, facilitating trade, allowing Russian oligarchs to move assets and maintaining open airspace for Russian civilian flights. Despite these contradictions, Türkiye played a constructive diplomatic role by mediating key agreements – such as the Black Sea Grain Initiative (2022) until its collapse in July 2023. Türkiye also brokered high-profile prisoner swaps in September 2022 and more recently in August 2024. These efforts reinforced Türkiye’s role as a regional mediator, even as its broader balancing act between Russia and the West continued to raise concerns among its NATO allies.

Türkiye also pursued diplomatic normalization with Armenia, maintaining dialogue and direct flights. However, progress remained limited as Azerbaijan’s full takeover of Nagorno-Karabakh in September 2023 heightened regional tensions and strained the process.

In the Eastern Mediterranean, tensions with Greece and Cyprus remained, although there were signs of de-escalation compared to previous years. Relations with Greece improved in 2023, culminating in a high-level summit between President Erdoğan and Prime Minister Mitsotakis in December. However, disputes over Greek islands, airspace and maritime boundaries persisted. Similarly, Türkiye remained firm on its two-state solution stance for Cyprus, moving further away from U.N.-backed reunification efforts. Türkiye continued to support development projects in Varosha despite international condemnation and its naval activity in Cyprus's Exclusive Economic Zone (EEZ) remained a major source of friction.

Strategic Outlook

Türkiye faces a complex set of challenges that will shape its political, economic and regional trajectory in the coming years. While elections remain a key arena for political competition, institutional erosion, economic instability and regional conflicts continue to limit long-term stability and democratic consolidation. Addressing these issues requires both domestic and international actors to engage in strategic policymaking aimed at restoring democratic norms, ensuring economic sustainability and managing geopolitical risks.

Politically, Türkiye's highly centralized presidential system has significantly weakened checks and balances, making institutional reform essential for long-term democratic stability. Domestically, opposition actors must focus on strengthening local governance, maintaining electoral momentum and building broad-based coalitions capable of challenging the ruling government in 2028. To maximize their chances, they must learn from the mistakes of 2023, avoid internal divisions and ensure that they rally behind the most popular candidate(s) rather than selecting candidates based on party hierarchy or internal compromise. Legal and institutional reforms are necessary to restore judicial independence, guarantee media freedoms and re-establish fair electoral competition. International actors, particularly the European Union and the United States, should continue to advocate for democratic reforms – including judicial accountability and protections for civil society – while leveraging diplomatic and economic engagement to incentivize positive change.

Economically, Türkiye must address the consequences of its election-driven spending and the deepening cost-of-living crisis. While post-election fiscal tightening has brought temporary stability, to ensure sustainable economic recovery the government must focus on enhancing institutional transparency, strengthening the independence of regulatory bodies such as the central bank and implementing policies that promote investment without resorting to short-term electoral incentives. International financial institutions and trade partners can support Türkiye by encouraging responsible fiscal policies and fostering trade agreements that enhance economic resilience.

Türkiye has shifted toward a more pragmatic foreign policy, adopting a measured approach that acknowledges the limits of its power. This shift, primarily driven by economic difficulties, marks a positive development and should continue for long-term stability. Meanwhile, the weakening of transatlantic ties following President Trump's re-election in the United States has increased Türkiye's strategic importance. European and Western countries must carefully analyze this changing landscape and engage with Türkiye. However, for a sustainable and healthy partnership, maintaining at least a minimum level of democracy in Türkiye is essential – an aspect Europe should not overlook while fostering closer ties.

The Kurdish opening process launched in late 2024 represents another critical development with potential domestic and regional ramifications. If handled pragmatically, this process could reduce tensions in southeastern Türkiye and reshape Kurdish political dynamics. However, if employed solely as a political maneuver, it risks deepening polarization. Domestic actors must ensure that any engagement with Kurdish issues prioritizes long-term reconciliation over short-term political gains. International stakeholders should support dialogue and human rights protections, ensuring any Kurdish settlement aligns with broader democratic reforms.