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# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 12-Nov-2025 | Report No: PIDIA01510

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## BASIC INFORMATION

### A. Basic Project Data

| Project Beneficiary(ies) | Region | Operation ID | Operation Name |
|---|---|---|---|
| Turkiye | EUROPE AND CENTRAL ASIA | P511584 | Access to Finance for Jobs and Growth MPA Phase 1 - Turkiye |
| **Financing Instrument** | **Estimated Appraisal Date** | **Estimated Approval Date** | **Practice Area (Lead)** |
| Investment Project Financing (IPF) | 24-Oct-2025 | 18-Dec-2025 | Finance, Competitiveness and Innovation |
| **Borrower(s)** | **Implementing Agency** | | |
| Türkiye Vakıflar Bankası T.A.O. (VakıfBank) | Türkiye Vakıflar Bankası T.A.O. (VakıfBank) | | |

Proposed Development Objective(s)

The development objective is to increase access to finance by businesses and people in Türkiye, and enable new or better jobs.

**Components**

Access to Finance for Jobs and Growth

## PROJECT FINANCING DATA (US$, Millions)

### Maximizing Finance for Development

**Is this an MFD-Enabling Project (MFD-EP)?** Yes

**Is this project Private Capital Enabling (PCE)?** No

### SUMMARY

| | |
|---|---|
| **Total Operation Cost** | **1,735.65** |
| **Total Financing** | **1,735.65** |
| **Financing Gap** | **0.00** |

### DETAILS

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| World Bank Group Financing | |
|---|---|
| Guarantee | 867.82 |
| IBRD | 867.82 |
| **Non-World Bank Group Financing** | |
| Commercial Financing | 1,735.65 |
| Commercial Financing Guaranteed | 1,735.65 |

**Guarantee Information**

| Guarantee Type | Coverage | Enclave Operation |
|---|---|---|
| Project-Based Guarantee | Loan Guarantee | No |

Is there an intermediate jurisdiction present in the guarantee beneficiary's structure?

No

| Guarantee Beneficiary | Guarantee Fees | Guarantee Schedule |
|---|---|---|
| | Upfront | 31-Mar-2026 |

Guarantee Expiration Date

30-Sep-2036

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Environmental And Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

## B. Introduction and Context

Country Context

**Türkiye's development achievements over the past two decades have been remarkable, but macroeconomic stabilization efforts continue.** Real gross domestic product (GDP) growth in Türkiye averaged 5.4 percent between 2002

and 2022 and was accompanied by a rapid decline in poverty, with the poverty rate (US$6.85 2017 Purchasing Power Parity (PPP) poverty line) halving from above 20 percent in 2007 to less than 10 percent in 2021. While the COVID-19 pandemic dampened growth in 2020, Türkiye achieved double-digit GDP growth in 2021 (11.8 percent) and growth maintained significant momentum in 2022 (5.4 percent) and 2023 (5.0 percent), before moderating in 2024 (3.3 percent). Yet, the policy framework that helped the country navigate the COVID-19 shock also heightened macroeconomic risks created by high inflation (inflation reached 85.5 percent in October 2022) and reduction in reserves. The policy normalization that started in the second half of 2023 has delivered significant results as credit ratings were upgraded, the external balance strengthened, reserves recovered, and growth composition improved. However, the financial markets came under pressure due to the heightened volatility in mid-March 2025 and increased global economic uncertainties. The measures taken, including the increase in the policy rate to 46 percent in April 2025, have largely stabilized markets. Therefore, the Central Bank of the Republic of Türkiye has reinitiated the policy rate cut cycle lowering the policy rate to 39.5 percent in October 2025. Despite the downward trend, inflation remains high (33 percent in October 2025) and CDS premium hovers around 250 bps (November 2025).

Sectoral and Institutional Context

**Türkiye has made significant progress in access to finance over the past decade, but gaps remain.** Over 80 percent of adults own a financial account in 2024—above the ECA average—and digital payment use increased to 71 percent (Findex, 2025). However, disparities remain, particularly for women and youth. Women's account ownership rose to 72 percent in 2024, yet a 20-percentage point gap compared to men's account ownership persists—twice the regional average—and the divide is even starker in digital finance, where 86 percent of men made or received digital payments compared to only 58 percent of women (Findex, 2025). The lower labor force participation for women [34 percentage points] largely explains this gap as access to and usage of financial accounts is nearly universal for working adults. Notably, the female gap in account access also disappears when considering those transacting through others' accounts (Findex, 2025).

**Education plays a significant role: adults with higher education are 15 percentage points more likely to own an account than those with only primary education (73 vs. 58 percent).** Among youth, account ownership declined from 73 percent in 2021 to 65 percent in 2024, largely due to limited income and being outside of the work, even though mobile account ownership rose to 22 percent, indicating digital activity without full integration into the formal financial system. Lastly, digital payments have proven effective in onboarding new users, with over half of new account holders citing such payments as the reason for opening their first account.

**Despite their importance for the economy, MSMEs in Türkiye remain largely excluded from formal credit, hindering business growth.** MSMEs account for 99.8 percent of businesses and 73 percent of employment. However, only 23 percent of MSMEs report having a loan or line of credit. High interest rates, short loan tenors due to banks' short-term funding structures, and burdensome collateral requirements significantly limit access. One in four MSMEs avoid applying for loans due to unfavorable rates and 41 percent of businesses are considered credit-constrained (2025 Enterprise Survey, ES). Risk aversion among lenders, compounded by inflation and currency volatility, raises the cost of financing—disproportionately affecting underserved segments such as women-led MSMEs and businesses in lagging regions which are perceived by lenders as riskier. Although equity financing has grown over the past five years, it still represents a small share of business financing, especially for MSMEs.

**Women-led MSMEs face unique challenges.** Women-owned businesses represent only 12 percent of all employer businesses and as of June 2025, loans to women entrepreneurs in Türkiye totaled TL 235 billion (for 273,000 accounts), or just 1.2 percent of all banking sector loans—a result of both supply and demand side factors. The share of micro loans to women-owned businesses is even smaller, just 18 percent of the TL 235 billion. According to the ES 2024, over 49 percent of women-led businesses view access to finance as a moderate to very severe obstacle, with nearly 28 percent reporting

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it as a major or very severe obstacle to their business operations. Analytical work based on the ES shows that women-led businesses are less likely to have their loan applications approved compared to their male-led counterparts, even after controlling for firm size, age, sector, and region, underlining structural disadvantages in accessing financing, including potentially conscious or unconscious bias against women-led businesses.

**Collateral requirements are also higher for women-led businesses—about 2.6 times those of men-led businesses—despite controlling for the same factors (ES, 2024)**. These structural inequalities not only limit economic participation but also constrain women-led MSMEs from investing in measures that could strengthen their resilience to climate risks. Additionally, substantial data gaps persist, particularly the lack of comprehensive sex-disaggregated spatial data, hindering the accurate assessment of access to finance dynamics, resilience and targeted policy interventions. Closing these gaps is essential for tracking how inclusive access to finance can help women-led businesses adapt to climate impacts, in line with Türkiye's Climate Change Adaptation Strategy.

**Sectoral patterns reveal significant access to finance gaps for women-led MSMEs in Türkiye.** In sectors with high female employment—such as garments, food, retail, and manufacturing—around 30 percent of businesses cite access to finance as their top constraint. These sectors are also among those most exposed to climate hazards such as floods, droughts, and heatwaves, which heighten operational risks and reinforce existing financial vulnerabilities for women-led businesses. Sectors such as transport, being male-dominated and capital-intensive, also face high credit barriers, indicating a need for industry-specific solutions.

**Regional disparities deepen these challenges: women in the eastern regions of Türkiye face lower labor force participation and financial access due to limited economic diversification and reliance on informal jobs, while women in the western regions benefit from stronger infrastructure and formal employment.** ES data shows 90 percent of women-led businesses in Central, Eastern, and Southeastern Anatolia report credit access as a major obstacle, compared to 38 percent in Marmara. The exclusion is most acute at the intersection of ownership, firm size, and geography—particularly for small, women-led businesses in underdeveloped and disaster-affected regions. These same regions also face higher exposure to floods, droughts, and heatwaves, making limited financial access a direct barrier to resilience and recovery from climate shocks. Older businesses and those with adequate internal capital face fewer barriers, highlighting the role of firm maturity. These findings underscore the need for targeted financial policies and tailored instruments to support women entrepreneurs where the gaps are greatest, especially at regional level. Additionally, these targeted financing instruments not only close gaps but also strengthen the adaptive capacity of women-led MSMEs in lagging regions.

**Policy actions exist, but deeper and targeted measures are needed.** Recognizing these persistent challenges, Türkiye has adopted several strategic initiatives targeting disparities for women, digital finance expansion, and regional equity in financial access. Recent government reforms, including flexible employment policies and childcare initiatives, aim to address underlying constraints to women's participation in economic activity. Additionally, the 12th National Development Plan explicitly prioritizes narrowing gaps for women, reflecting strong policy commitment at the national level. However, further intervention requires addressing structural constraints as well as market failures such as perceived elevated credit risks, high transaction costs, and limited availability of suitable financial products.

**Closing gaps in usage of financial services for individuals requires addressing structural issues, aligning incentives for financial institutions, and data-driven innovation.** Low labor force participation and education as well as cultural norms are structural constraints undermining the usage of financial services of individuals, especially of women and youth. While the financial system offers a broad array of financial products through a diverse range of financial institutions and the payment system is highly developed, the bank-dominated financial sector undermines product innovation, especially for

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reaching those who remain excluded as there are limited incentives to do so. Yet, without inclusive access to finance, women-led businesses remain less able to invest in adaptation measures or recover from climate shocks, particularly in regions facing recurring floods, droughts, and heatwaves. Government-to-person and business-to-person payments are digitized nearly universally, with some cash transfers remaining especially in the informal sector. While closing remaining gaps requires policy initiatives that are largely outside of the financial sector's direct remit, data-driven product innovation and providing incentives to financial institutions to reach the underserved can make a difference in reducing disparities.

**Expanding access to capital for underserved MSMEs requires a more conducive enabling environment as well as demand and supply side interventions.** Structural and macro-financial constraints – especially high inflation, elevated policy rates, and foreign currency volatility – are undermining effective financial intermediation, pushing banks to prioritize low-risk corporate borrowers over smaller and riskier segments. A bank-dominated financial sector means that alternative lenders for MSMEs are limited, despite the emergence of a vibrant fintech ecosystem in Türkiye. Limited variety and customization in financial products—especially tailored lending for MSMEs and women entrepreneurs—restrict uptake, as do gaps in digital financial literacy despite high mobile phone penetration. The regulatory framework allows for risk-sharing via the Credit Guarantee Fund (KGF), yet coverage is often skewed toward more established MSMEs, limiting its inclusiveness. Lastly, gaps in women-disaggregated data need to be addressed to enable better risk assessment and innovation.

**The proposed Project will focus on expanding access to capital for underserved groups, especially women and youth, through a platform approach.** The Project builds on and complements the WB's growing portfolio supporting inclusive development in Türkiye by leveraging lessons from previous guarantee operations and introducing innovative financing instruments and data-driven approaches. It builds on the lesson learned from previous engagements that scale is required to make a difference in usage of financial services by working with one of Türkiye's largest banks to create systemic impact and crowd in other financial institutions and KGF through a platform approach. It also introduces supply side innovation by using an IBRD guarantee to crowd in private capital through a financial intermediary for access to finance. By enhancing access to capital for MSMEs and advancing digital financial services, the program contributes to high and sustainable productivity growth and more inclusive jobs and services. It is aligned with the World Bank's CPF FY24–28 objectives under High-Level Outcome 2 (inclusive services and jobs) and Outcome 3 (strengthened resilience).

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## C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The development objective is to increase access to finance by businesses and people in Türkiye, and enable new or better jobs.

Key Results

**The following PDO indicators will measure the results of the project; additional intermediate indicators will be included in the Project Appraisal Document:** (i) number of MSMEs using debt financing, (ii) number of women-led MSMEs using debt financing, (iii) and number of youth-led MSMEs using debt financing (iii) number of new or better jobs, including jobs for women and jobs for youth.



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## D. Project Description

**The Project responds to structural barriers in Türkiye's financial system that limit access to finance of MSMEs, particularly those led by women and youth and those in underdeveloped and disaster-affected regions.** Despite a well-capitalized banking sector, commercial lending to underserved segments remains constrained by high collateral requirements, short loan tenors, lack of tailored products, and high interest rates—issues that could be addressed through expanded de-risking mechanisms such as credit guarantee schemes. Women and youth entrepreneurs face disproportionate challenges due to lack of documentation, credit history, collateral, and limited sex-disaggregated data. These constraints also reduce the capacity of women- and youth-led businesses to invest in measures that enhance business continuity and resilience to climate shocks, particularly in sectors highly exposed to floods, droughts, and heatwaves. The Project aims to overcome these barriers through a coordinated WBG (IBRD-IFC-MIGA) approach that includes outcome-linked lending, diagnostics, and systematic engagement with financial institutions.

**The Project uses an IBRD guarantee to mobilize affordable and long-term private capital for a financial intermediary (VakıfBank) at scale.** This will enable it to extend loan maturities and reduce risk, linking lending to measurable outcomes—such as expanding the access to and usage of financial services by women and maintaining or increasing women's workforce share. Overall, the operation will demonstrate the commercial viability and developmental impact of inclusive finance. At the same time, the Project will be used to catalyze a sector-wide engagement—through public and private institutions and by working with the TBB and KGF—to address constraints. By promoting access to longer-term finance in vulnerable regions, the operation also supports Türkiye's adaptation priorities under its Climate Change Adaptation Strategy and Action Plan. This demonstration effort, backed by strong data requirements and jobs targets, seeks to catalyze broader market transformation and promote sustainable, inclusive growth across Türkiye, especially in underdeveloped and disaster-affected regions.

**Using an IBRD guarantee, VakıfBank will mobilize private capital to enhance access to finance for individuals and MSMEs.** Currently, VakıfBank's access to long-term commercial financing is limited with respect to tenor, volume, and pricing, due to which it cannot offer long-term and affordable loans at scale to the underserved segments targeted under the Project. Under the Project, VakıfBank can leverage IBRD guarantee of up to EUR 750 million to raise up to EUR 1.5 billion in commercial financing with a tenor of up to 10 years at a lower pricing than it could access without IBRD's support. Proceeds (less any fees related to the IBRD guarantee, and applicable costs and fees related to commercial financing allowed under the financing agreement ) will be on-lent as sub-loans to MSMEs for working capital and capital expenditure that improve access to finance with clear allocation targets for women-led MSMEs and businesses that contribute to the economic participation of women and youth, with sex-, age-, and region-disaggregated monitoring. As such, the Project will support the mobilization of significant private capital to VakıfBank to enable them to deliver access to finance outcomes in Türkiye. The structuring, implementation, and monitoring of the IBRD guarantee will be processed under the WBG Guarantee Platform (WBG-GP) housed at MIGA, with processing streamlined per the World Bank's procedure for project-based guarantees and in close collaboration among IBRD, MIGA, and IFC.

**The Project comprises a single component that utilizes the IBRD-guaranteed financing for VakıfBank to provide sub-loans exclusively to MSMEs under three interlinked windows:**

a. **Empowering Women Entrepreneurs and youth led firms** – Credit lines for women- and youth-led MSMEs to launch, scale, and sustain their businesses with performance-based financing tied to maintaining or increasing women's and youth employment.

b. **Sectoral Access to Finance Facility** – Loans to women-inclusive MSMEs in sectors with more than 50 percent female workforce, as well as in traditionally male-dominated sectors (less than 35 percent female

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employment) where they employ women above sector averages, with pricing incentives tied to verified outcomes.

c. **Resilience Through Access to Finance** – Financing for MSMEs in underdeveloped and disaster-affected regions, supporting MSMEs that sustain or increase women's and youth employment as part of recovery. Eligible MSMEs must be located in designated regions and commit to sustaining or maintaining female and youth workforce participation within a defined period, promoting inclusive recovery, empowering women, and strengthening local resilience.

**The Project aims to unlock the job-creation potential of access to finance by providing market-friendly access to capital through VakıfBank for MSMEs.** Increased use of financial services will help MSMEs enhance productivity, grow, and generate more—and better quality—employment opportunities. It will also help MSMEs absorb and adapt to external shocks, including those arising from climate-related events.

**Across all financing windows, beneficiary MSMEs will be required to commit to verifiable women and/or youth actions and sub-loans will include performance-based terms.** VakıfBank will extend longer-tenor sub-loans with interest rate reductions and improved pricing and terms to MSMEs that meet benchmarks—such as increasing women's employment or hiring youth—while retaining an overall market-based pricing structure. This approach addresses both supply-side risk aversion and demand-side affordability, while supporting market discipline through outcome-linked financing. For instance, in sectors with low female workforce participation, MSMEs will need to demonstrate tangible improvements in hiring and retaining women to qualify for pricing incentives. In sectors where women represent most of the workforce, preferential financing will be directed toward women-led businesses.

**Evidence demonstrates that incentivizing women-inclusive MSMEs reinforces positive practices and sets industry benchmarks, encouraging wider adoption of women diversity.** It also helps sustain women's employment and prevents backsliding, especially during economic shocks or crises. MSMEs with high female representation are well-positioned to pilot and scale new women-focused initiatives, leveraging their networks and experience. By linking incentives to longer-tenor financing, the Project also helps MSMEs maintain operations and safeguard jobs in the face of increasing climate and economic volatility. Benefits will be provided upon verification of compliance with clearly defined criteria, ensuring that Project resources support resilient, inclusive, and women-equitable private sector development.

**VakıfBank will use a mix of financial and non-financial incentives to advance the Project's development objectives.** On the financial side, this includes preferential pricing, longer maturities, and performance-linked adjustments tied to women, youth, and digital adoption key performance indicator (KPIs). Where relevant, incentives may also encourage investments that enhance business continuity and resilience, such as resource efficiency, risk management, or adaptive practices in climate-exposed sectors. These would be complemented by non-financial services—such as training, mentorship, and user-friendly guidance—as well as measures like requiring salaries or wages to be credited into beneficiary accounts, providing group insurance coverage, and introducing incentives for long-term savings. Importantly, the Project will mandate regular collection and reporting of women- and region-disaggregated data to help close critical information gaps and build an evidence base for scaling. This data will also help identify how inclusive access to finance supports MSME resilience in regions facing higher exposure to floods, droughts, or other shocks.

**Beyond financing, the Project will also incentivize VakıfBank to make a difference in narrowing the gap for women in digital financial services use.** Building on this strong digital infrastructure, VakıfBank will make mobile banking activation mandatory for all new account openings and customer onboarding, thereby fostering active usage instead of passive ownership. This is in addition to the account opening incentives, targeted especially at women employees of beneficiary businesses, which will be provided as part of the lending windows described above. In parallel, the project will leverage

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VakıfBank's experience with digital channels for public programs, thereby deepening access to finance for women, youth, and underserved regions.

**Coordination across these efforts will ensure alignment and complementarity.** Building on ongoing training, communication, and outreach activities—through both digital and physical channels—the operation will promote common definitions, reporting practices, and incentives to strengthen collaboration and crowd in additional lenders. In addition to digital and physical outreach activities, civil-society initiatives will be pursued.

**Leveraging VakıfBank's mandate and scale, the Project fills a critical gap, expanding inclusive finance where market solutions fall short.** Its engagement also fills a critical public policy gap: while IFC and MIGA support private banks on women finance, IBRD's partnership with VakıfBank leverages the latter's public mandate and national footprint to scale inclusive finance where market-based solutions remain limited. By incentivizing inclusive lending through one of Türkiye's leading banks, this operation is expected to crowd in other market players and drive change. As a demonstration platform, the Project's design—including disaggregated reporting for women and youth, women and youth-responsive conditionalities, and tailored financial products—will generate evidence on effective models and inform future replication by both public and private financial institutions in Türkiye.

**This operation marks one of the first IBRD guarantee operation in Türkiye focused on access to and usage usage of finance.** The Project follows on the heels of three successful IBRD guarantee transactions that focused on supporting Türkiye's exporters during the Covid-19 pandemic, the decarbonization of Türkiye's exporters, and financing firm's adaptation for growth, respectively. The Project will be the first one exclusively focused on women and access to and usage of financial services, offering strong demonstration potential by crowding in private capital for underserved segments and creating a scalable model linking finance with firm growth and inclusive jobs outcomes.

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| Legal Operational Policies | Triggered? |
|---|---|
| Projects on International Waterways OP 7.50 | No |
| Projects in Disputed Area OP 7.60 | No |

Summary of Screening of Environmental and Social Risks and Impacts

The project is categorized as FI-2 given that potential subprojects are anticipated to have limited adverse environmental or social risks or impacts that are mostly temporary, site-specific and reversible (such as air, soil, water and noise pollution and waste management, worker and community health and safety risks). Activities with potentially significant E&S risks and impacts such as large-scale land acquisition, significant physical/economic resettlement, and significant adverse impacts on critical habitats and cultural heritage, will be excluded from the proposed project. Given the private sector nature of the Project it will apply OP 4.03 (Performance Standards for Private Sector Activities).

## E. Implementation

Institutional and Implementation Arrangements

**The Project will be implemented by VakıfBank based on the following agreements:** (i) one or more guaranteed loan agreements between VakıfBank, international commercial lenders, and IBRD, under which the lenders will provide



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financing to VakıfBank and IBRD will partially guarantee the repayment of such financing; (ii) a project agreement between IBRD and VakıfBank, specifying the terms for sub-loans and financial services to final beneficiaries, including eligibility criteria, loan conditions, services to be provided to individuals and approval processes; and (iii) an indemnity agreement between IBRD and the Republic of Türkiye (represented by the Ministry of Treasury and Finance). Implementation arrangements will be further detailed in the Project Operations Manual to be finalized between VakıfBank and IBRD prior to effectiveness. VakıfBank will establish or strengthen a dedicated Project Implementation Unit (PIU), responsible for overseeing implementation, including fiduciary, E&S, and reporting requirements.

**VakıfBank's PIU will be responsible for implementation and monitoring of the Project and will be staffed with experienced and qualified personnel.** The PIU responsibilities will include: (i) monitoring of the on-lending of IBRD guaranteed loans' proceeds, and monitoring the extension of broader financial services to final beneficiaries; (ii) responsibility for adherence to all fiduciary and E&S requirements of the IBRD by VakıfBank and final beneficiaries; and (iii) monitoring and evaluation based on the agreed results framework and reporting to the WB on a semi-annual basis. While VakıfBank has not implemented a project with an IBRD guarantee before, it has experience with IBRD's loan projects as well as strong track record in executing capital market transactions and raising financing from international lenders, which provide confidence in its implementation capacity.

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## CONTACT POINT

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### Borrower/Client/Recipient

**Türkiye Vakıflar Bankası T.A.O. (VakıfBank)**

### Implementing Agencies

**Türkiye Vakıflar Bankası T.A.O. (VakıfBank)**

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## APPROVAL

| | |
|---|---|
| Task Team Leader(s): | Etkin Ozen, Varun Hallikeri, Gunhild Berg |

**Approved By**

| | | |
|---|---|---|
| Practice Manager/Manager: | Martha Martinez Licetti | 08-Oct-2025 |
| Country Director: | Agata Pawlowska | 12-Nov-2025 |

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