Financial & Professional Services

KfW IPEX-Bank

Why Türkiye Is One of the World's Most Promising Rail Markets

Türkiye occupies a uniquely strategic position as a Eurasian logistics hub. Not only is it within a four-hour flight of 67 countries, on the ground it's also a key link in the 'Middle Corridor': the trade route that connects China, Central Asia and Europe


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With billions of euros in ECA-backed financing already secured and a pipeline of major projects still to come, Türkiye is proving itself one of the most active and promising rail investment destinations, says Olgaç Emir Aksoy, Vice President of KfW IPEX-Bank Türkiye.

The country's strategic positioning is set to be reinforced as global trade routes adapt to a more volatile geopolitical landscape – the impact of disruptions at the Strait of Hormuz being a case in point – and by a significant expansion of the country's rail network.

Türkiye's Transport Master Plan aims to more than double the national rail network from 13,919km today to 28,590km, and to increase rail's freight share from 5% to 22% and passenger share from 0.96% to 6.2% by 2053. It also targets 35% of rail energy demand to be sourced from renewables, positioning rail as central to decarbonising transport.

High speed rail is central to this growth. At 2,251km, Türkiye's high-speed network is already the sixth largest in Europe and eighth largest in the world, with plans to reach 6,000km by 2035. All these goals sit alongside Türkiye's wider climate commitment of a 41% reduction in greenhouse gas emissions by 2030, and achieving net zero by 2053.

Due to its topography, much of Türkiye's rail expansion will run through demanding terrain, requiring the construction of costly tunnels and viaducts. This is one reason why, over the next 30 years, the government plans to invest US$70bn in rail infrastructure and rolling stock, positioning its rail expansion as one of the country's most strategically significant infrastructure undertakings, drawing increasing international attention as a result.

Funding the Master Plan

Given the scale of investment required, the Ministry of Treasury and Finance of Türkiye, in coordination with the Ministry of Transport and Infrastructure of Türkiye, aims to identify the optimal external financing mechanisms, particularly through Export Credit Agencies (ECAs) and Multilateral Development Banks (MDBs), to enable the realisation of Türkiye's rail ambitions.

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ECA-covered loans work by providing a state-backed export credit guarantee to the lending banks, mitigating the risk of non-payment. This allows investors to access long-tenor financing on favourable terms, while suppliers are protected against payment risk, in turn enabling European manufacturers and banks to enter markets that might otherwise be considered relatively high-risk.

A critical enabler of this model is the early involvement of the engineering, procurement and construction contractor (EPC), as sourcing decisions from European suppliers directly affect a project's eligibility for ECA coverage. Turkish EPCs have built considerable expertise in this area, having delivered ECA-backed projects not only domestically but across multiple geographies worldwide, making them sophisticated, reliable partners for structuring complex financing deals.

Green rail projects, including electrified lines, benefit further still, with ECA tenors extended to construction plus 22 years, making such schemes more financially viable for fast-growing markets like Türkiye's.

This expertise has been instrumental since 2020, when the Turkish Treasury began acting as borrower for rail projects under an EPC-F (engineering, procurement, construction and finance) structure. The shift opened the door for ECAs to play a far more prominent role in the sector, with multilateral development banks frequently providing additional coverage alongside them.

The first transaction under this structure was a €2.1bn financing with a guarantee from UK Export Finance (UKEF) for the Ankara-İzmir high speed rail project in 2021. Five further ECA-backed rail financings have followed since then.

KfW IPEX-Bank's Presence in Türkiye

KfW IPEX-Bank has been involved in three of these transactions, including Ankara-İzmir. The others were a €2.6bn financing for the high-speed rail line connecting Türkiye to Azerbaijan, structured as a green loan, and a €1.6bn rail and tunnel project in the earthquake-affected south-east. Across these transactions, the bank has taken participant roles with strong commitment – and it has an appetite to act as arranger/co-arranger depending on the project's size, structure and ECA eligibility, in the following period.

KfW IPEX-Bank's flexibility, combined with its deep sector expertise, has made it a trusted partner in Türkiye. Mobility is the bank's largest business segment, and rail infrastructure sits at its core. This gives it the technical grounding to work closely with EPCs, borrowers and government counterparts including Türkiye's Ministry of Treasury and Finance and Ministry of Transport.

This is reinforced on the ground by a Representative Office in Istanbul, which has helped support European exports to Türkiye since 2006. KfW IPEX-Bank manages a balanced portfolio spanning renewable energy, transportation, financial institutions and infrastructure in Türkiye. The Istanbul team is here to represent the bank, follow the developments in the country and provide a cultural bridge.

But KfW IPEX-Bank's experience extends well beyond Türkiye, with rail financing delivered globally in markets including India, Egypt and Tanzania, alongside expertise in meeting environmental and social standards on greenfield infrastructure projects. That breadth of experience, paired with its established track record inside Türkiye, positions the bank to play a continued prominent role as the country's rail pipeline develops.

What's Next?

Türkiye's appetite for new rail projects shows little sign of slowing. In this respect, General Directorate of Infrastructure Investments of Türkiye (AYGM) is heavily working on new rail infrastructure tenders for expanding the high speed & conventional rail network of the country while the Ministry of Treasury and Finance of Türkiye is intending to finance 2–3 mega transactions each year.

Despite this strong project pipeline, some headwinds remain as securing financing is becoming increasingly complex. Several ECAs active in Türkiye are approaching their country exposure limits, potentially constraining the amount of export credit support available for future projects. At the same time, the scale of planned investment is likely to require a broader mix of financing sources, including Multilateral Development Banks (MDBs) , Development Finance Institutions (DFIs) and commercial lenders, with increasingly sophisticated financing structures to bridge funding gaps.

Execution may also be influenced by competing public investment priorities. Significant resources continue to be directed towards post-earthquake reconstruction, while the expansion of renewable energy and other strategic infrastructure sectors is creating additional demand for public funding and external finance. These competing priorities could affect both the timing and sequencing of future rail procurements.

Against this backdrop, maintaining the current pace of rail development will depend not only on sustained government commitment, but also on the continued availability of external financing and sufficient risk appetite among ECAs and other lenders. While Türkiye retains a substantial pipeline of rail projects and a well-established EPC market, financing constraints are likely to become an increasingly important factor shaping project delivery in the years ahead. As KfW IPEX-Bank, we intend to further increase our strong commitment to assist the promising targets of the country in the rail sector.

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