

Regional & Local Gov't Credit Rating

☐New ☒Update

Sector: Subnational Administrations-Municipalities
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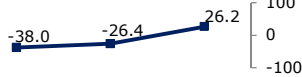
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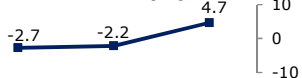
RATINGS		Long Term	Short Term
ICR _s (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
System Support		1	-
ISR _s (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

Operational balance / Equity (%)



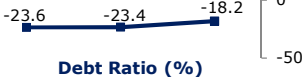
Operational balance / Assets (%)



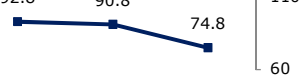
Taxes/Total Budgeted Revenues (%)



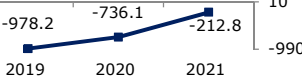
Net Working Capital / T. Assets (%)



Debt Ratio (%)



Net Fiscal Value / Equity (%)



Adana Büyükşehir Belediyesi

(ABB – The Metropolitan Municipality of Adana)

JCR Eurasia Rating, has evaluated the "Adana Büyükşehir Belediyesi" in the investment-level category and upgraded the Long-Term National Issuer Credit Rating to 'AA (tr)' from 'AA- (tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Adana Büyükşehir Belediyesi (referred to as 'the Municipality' or 'MMA') is one of the 30 metropolitan municipalities of Türkiye. The MMA's municipal organization and services began operation in 1871 during the Ottoman Empire era. The functions of the Municipality are classified in general under the headings of General Public Services, Security, Economic Affairs, Environmental Services, Settlement Works, and Cultural Services. The MMA has five subsidiaries and an affiliated administration formed under the entity as of reporting date.

The MMA was established by Law Nr. 3306 in 1986 with two counties, Seyhan and Yüreğir. Boundaries have been extended several times; ultimately, the scope of authority was determined by provincial administrative boundaries in 2012 regarding "The Establishment of Thirteen Metropolitan Municipalities, Twenty-seven County Municipalities with the change in the Decree Laws" published in the official gazette on 6 December 2012. Currently, Adana is composed of 15 counties, 5 of which are central municipalities. As of 2021, the total population of Adana was 2.3 million, and the population in central municipalities was 1.8 million. The MMA is administered by a council of 79 members. The distribution of seats in the current council is shared amongst the MHP (35.4%), AKP (29.1%), CHP (25.3%), IP (7.6%), and SP (2.5%). The council legislated a total of 320 acts in 60 different meetings in 2021.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- High level of fiscal support as secured by law,
- Significant recovery in operating results of the last two consecutive years coupled with budget surplus,
- Improvement in equity structure due to operating profits,
- Downward trend in the debt ratio and the debt structure that maintains resilience against FX risk,
- Corporate structure coupled with experienced and competent management team,
- Contribution of festivals and carnivals to the local economy by increasing the recognition of Adana,
- Continuation of investments within the scope of transportation master plan, which is expected to relieve the traffic problem of the city,
- Wide spectrum of the business areas supported by investments expected to reduce unemployment.

Constraints

- Municipalities' own revenue generation capabilities still remaining below adequate levels,
- Insufficient liquidity indicators would be a significant source of risk in case of deterioration in the cash conversion cycle,
- Notable share of noncurrent assets suppresses the balance sheet flexibility,
- Significant share of refugees hosted in the city put pressure on quality of municipal services per capita.

Nearly 100% of the external revenues of the municipalities consist of contributions obtained from the total tax revenues included in the government budget. The high level of contributions from the government budget within the municipal revenues increases the influence of the financial tutelage of the central government and impedes the establishment and development of the principle of autonomy throughout the country. In addition, the constant changes observed in distribution ratios of shares from the budget tax revenues adversely affect the predictability of the municipal revenues. The issues of insufficiency of municipal revenues, inconsistency of support from the central government, low ratios of own revenues and inability to determine own revenues prevail in Türkiye. However, all these data, by all means, indicate high level of central systemic support for all of the municipalities and the metropolitan municipalities in particular across the country compared to the world averages. In this respect, system support rating for whole municipal system particularly for the MMA is assigned at its high level of (1).